THE TICKER AND INVESTMENT DIGEST

Investment: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

Speculation: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

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Studies in Stock Speculation

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IV—Selection of Stocks. The Various Groups

THE three essentials, if one would gain success in any speculative transaction, are knowing:

First—The Right Trend.
Second—The Right Time.
Third—The Right Stock.

We have suggested some ideas on judging the right trend, and have shown that all commitments should be made in accordance therewith; that is, when the trend is up, no short trades should be made, and when the trend is down, there should be no purchases for long account.

As may be inferred, the time to buy is during a break, while the trend is still up, and the time to sell is on a rally, when the trend is down.

By referring to the Trend Indicator given in Chapter 2, we find that on the twelfth day, the trend line, which had been declining, showed resistance, indicating that the line would probably again turn upward. Purchases of active stocks made at the next day's opening would have shown profits, especially such stocks as Union Pacific or Reading. These profits might be several points, as it must be remembered in calculating the average prices, there were included stocks which varied in price from below 50 to above 200. The higher priced stocks naturally enjoy the widest swings.

On the 17th resistance to the up trend again became strong, forecasting a decline. Stocks therefore should have been sold on the morning of the 18th. On the 19th the line begins to turn downward. This confirms the selling indication.

Also, take the Trend Chart at the beginning of Chapter 3, and you will find that by placing a card vertically so that the three dots on the chart are in line with a certain date, you can select the actual days on which purchases or sales could have been made to best advantage. But we do not expect the trend indicator or anything else in Wall Street to be always right. It will frequently mislead you, but at such times your stop order limits the loss.

With these two fundamentals—the Right Trend and the Right Time to Buy

or Sell, firmly fixed in our minds, we will proceed with the next point in importance, namely:

SELECTING THE RIGHT STOCK.

The chances against guessing the trend are about even, as the trend is always either up or down. If one were to attempt to guess the time to make purchases, the chances against him would increase. But in selecting which particular issue is the best purchase or sale, the chances are several hundred to one that you will choose the wrong stock if you go at it in a haphazard way.

There are about two hundred issues which are ordinarily active. The whole list does not, at any time, move uniformly. Some stocks fluctuate two, three or five points a day, while others swing only ½ or 1 point. Quite a number fluctuate only occasional ⅛'s, and a few do not move at all for the reason that they are not traded in for days or weeks at a time.

It is obvious that if we are to make one point ($100) profit, our stock must move in our favor that much, and to my way of thinking, the quicker it moves the better. The problem is, how can we make the most points in the shortest length of time. The years which we can devote to the stock market are apt to be limited by various considerations, most of which are not anticipated. So whatever money we are to make in the stock market must be crowded into these comparatively few years.

We must, therefore, endeavor to make these years highly productive, and to accomplish this, we cannot afford to tie up our time or capital in dead stocks such as Ontario & Western, Duluth, South Shore & Atlantic, American Linseed and others in their class. Multitudes of men journey to Wall Street daily to watch the movements (?) of some dead stock. It is like sitting up with a corpse.

Fear is at the bottom of most people's selection of stocks. They look over the list and say, "I wouldn't touch Reading because it is too lively for me. Union Pacific is likely to break five points before you know it. Amalgamated Copper? Too highly manipulated." And so on, until the list of active money makers is exhausted.

Finally they settle upon Southern Railway or Erie, "because they are pretty safe and you can't lose much in them." When they have purchased they sit around week after week, waiting for "Mummy common" to move a point.

I once met a trader who said, "I have taken a point out of Wabash common seven times in the past year."

"On the long side, of course," said I.

"Certainly," he replied, "I never sell a stock short."

"Do you use a stop order on your purchase?"

"Oh, no," said he.

"Well, if you keep trading on the long side, buying higher each time and taking only one point profit, you are sure to get landed at the top sooner or later. Can you margin it to 10 if it should go there?"

"No, I would be wiped out."

"Well, don't you see that this is likely to happen? In 1908, the stock sold below 7."

Yet the man thought he was safe because "Wabash was a little stock and couldn't go down much."

I believe the trader who buys the so-called cheap stocks at 20, and whose margin is exhausted at 10, is taking greater chances than one who buys Union Pacific at 200.

Of course, value governs prices in the long run, but it does not prevent violent fluctuations. Union Pacific earns around 20 per cent. and could pay 15 per cent. dividends if its management should so decide. In that case, it might sell close to 300. Stocks selling at 20 usually cannot pay 1/10 of 1 per cent., and were it not for the voting power contained in them, they would probably range around 5 as a mere speculation.

It seems to me better to buy one-tenth the amount of a high priced stock of actual intrinsic value than to trade in a round lot of a low priced issue, the value of which is problematical.

Union Pacific will, as a rule, fluctuate ten points to every one point fluctuation in Wabash, and a ten share lot of Union Pacific margined down to $100 a share, seems to me safer than 100 shares of

Wabash margined to $10. This is regardless of what Wabash may do in the future. I am not bearish on the stock; I have formed no opinion of it. It is mentioned as a type of the low priced stocks so generally favored by the public.

At the top of the last great rise (1906) Union Pacific sold at 195⅜. In the 1907 panic it declined to par—less than 50 per cent. of its market value. In the meantime, Wabash declined from 26½ to 6¾, nearly 75 per cent. Take two traders, one of whom bought 100 Wabash at top price, and the other 10 shares of Union Pacific at the top. The extreme decline in Wabash would have equaled $1,975 loss to its owner, while the shrinkage in value of 10 Union Pacific would amount to only $953.75.

I believe this fairly illustrates the advantage which lies in purchasing the stable dividend payers whose prices are more or less warranted by their dividends, in preference to the low priced speculative issues. But in case it should appear that I have taken this as an extraordinary instance, I will make a few other comparisons, selecting stocks at random.

During the decline from 1906 to 1907, Southern Pacific went from 95½ to 70, but Southern Railway broken from 42⅞ to 10, St. Paul sold down from 199⅝ to 93½, but Erie common declined from 50⅞ to 12. Reading common touched 164 and then sold at 70½. Meanwhile Rock Island common fell from 32⅝ to 11¼.

Observe that while the prices of the so-called "big" stocks are frequently cut in two, the "little, cheap, safe" stocks decline to around one-quarter of their value.

The reason for this is two-fold. With rare exceptions, the standard, dividend-paying stocks do not suffer radical reductions in dividends during hard times. It is these dividends which give them intrinsic value, and at a certain point in the decline they become such undoubted bargains that investors pour their money into the market and turn the tide.

It is not so with the "pups," as these low priced stocks are called. They yield nothing. Their value is only speculative, and the public, which is loaded with them, can sell out only to each other until finally the bottom falls out of their market. After the storm has passed, this class of stocks is the slowest to recover. So instead of being safer and "closer to shore" in stocks like Wabash, Southern Railway, Erie, etc., the timid speculator who buys these stocks is really going into the riskiest class of stuff on the list, especially when his purchases are made in bull markets.

Indiscriminate buying by unsophisticated speculators is one thing that produces such absurdly high prices for these stocks, and when a trader is once landed with then at the top of a bull wave, he is worse off with a margin of 50 per cent. of their value than he would be with a high priced dividend payer with an equal percentage of margin.

However, most people regard these low priced stocks from the standpoint of the number of points they can go against them, so let us look at that side of the question.

If you buy a stock because it offers little risk, why not buy a bond or a real estate mortgage so that your risk will be little or nothing? If fear governs your selection, why not stick to mortgages exclusively as the most gilt edged bonds are liable to fluctuate somewhat? But if you buy the stock for what you can make, why not go into that which will produce the greatest profit in the shortest time? Why not trade in active stocks which move five or ten points to every one point for the low priced "Mummy common." The market is made by the "big" stocks; why not trade in them?

A dozen times every day you hear people say, "I think the market is going up," whereupon they walk to the order counter and buy some obscure stock in which a movement of a half point produces a sensation.

When you decide the market is going up, buy something that, in case you are right, will yield a good reward for the correctness of your judgment? If you are willing to look upon a stock as a permanent investment, or if you belong to the class of people who never take a loss in the market, pay for your stock in

full and take it away. If not, you can trade without fear by using a stop order to limit your risk. If you do not use a stop order and do not pay for your stock in full, you are running the greatest risk any one can take in connection with the stock market, and will probably pay for your indiscretion by losing all of your capital.

The way to eliminate fear, therefore, is not to buy something that looks cheap for the mere reason that its price is quoted in single figures; it is to place yourself where, no matter what happens, you cannot be seriously injured.

There are times, however, when very low priced stocks are more desirable purchases than the high priced issues. This is in a panic and during the succeeding dull months while liquidation is being completed. It must be recognized that after the worst shock of the panic has been felt and the subsequent rally and reaction down to the low point have been accomplished, there is usually a long spell which is designed by insiders to tire out and shake out the last of the disgusted bulls. It will be found that many of the low priced stocks make their lowest point from one to four months after the panic. This frequently occurs while the high priced issues are going up.

At such times, a stock bought at 10 will, if it recovers to 30, show a profit of 200 per cent. on the investment. To equal this, Union Pacific bought at par would have to sell at 300. In other words, you can double your money more times on a low priced stock scientifically bought during or just after a panic, than you can on the high priced issues.

Even Union Pacific, which sold at par during the 1907 panic, and is now 202, was not as good a cash purchase (speculatively) at the low price, as Wabash common was at 6¾, Union Pacific would now show a little over $100 profit on every $100 invested, whereas Wabash common, which is now around 21, would show $200 profit on every $100 invested. Steel common would show $350 profit on every $100.

So our argument would sum up:

1. The standard dividend paying stocks, selling around or above par, are safest when paid for in full, especially if one should be obliged to carry them through a bad period.

2. The greatest risk in times of high prices lies in buying outright, the low priced, non-dividend payers that have little or no chance of paying dividends.

3. But the low priced stocks, if bought soon after a panic, are likely to show greater profits on the money invested than the high priced issues.

There is another rule which applies generally, no matter what method of trading is being followed: On the long side, one should favor stocks which are selling below their intrinsic value, and sell short those which are apparently selling for more than they are worth.

Intrinsic value is a difficult thing to determine but when one sees a 4 per cent. stock selling around 140, while a 10 per cent. stock containing equal possibilities, is only 150, there is little difficulty in deciding which is the more advantageous purchase or sale, especially if there are no apparent reasons for over-valuation in the first instance.

The action of the stock in the market will frequently prove the advantage of this rule. The stock which is below value has a certain investment demand under it which comes to its support during violent breaks, while an over-valued issue is a target for bear attacks.

THE TICKER's Bargain Indicator is a splendid guide in this respect as it gives the value of all stocks compared with their market price, and shows from month to month, which are gaining or losing ground. Of course, no mechanically drawn conclusions will indicate what inside moves are about to be made, but generally speaking, the advantages to be derived from the Indicator are immense. Every trader should consult this table frequently enough to refresh his memory as to what is going on, and to keep in touch with the shiftings that constantly takes place as the monthly earnings are tabulated and compared.

As shown in Chapter III of "Studies in Tape Reading," the various stocks on the market may be likened to a great fleet of canal boats, hitched together in the order of their importance, and being towed by the tugs, "Money Situation" and "Business Conditions."

In the first row of boats are the six most important issues, namely, Union Pacific, Reading, Steel Common, St. Paul, Amalgamated Copper and Smelters. These stocks dominate the market; they influence the trend more than any other group. We have designated them as the "Big Six." We present herewith a chart of Reading, showing its wide fluctuations.

Behind them are the secondary leaders, composed of such stocks as Atchison, Baltimore & Ohio, Brooklyn Rapid Transit, Chesapeake & Ohio, Colorado Fuel, Consolidated Gas, Delaware & Hudson, Denver, Great Northern, Northern Pacific, Illinois Central, Louisville, Missouri Pacific, New York Central, Pennsylvania, Rock Island, Southern Pacific.

It will be noted that we have made some changes in this list as compared with that given in the "Studies in Tape Reading," owing to certain stocks having come more into prominence during recent months. The groups will always vary from time to time, according to the relative importance in volume and activity of the different stocks.

The third group, which is made up of the minor issues, mostly low priced, consists of such stocks as Car & Foundry, Colorado Southern, Erie, Great Western, Interborough, National of Mexico, M. K. & T., Norfolk & Western, Ontario & Western, Republic Iron & Steel, Southern Railway, Texas & Pacific and Wabash.

Now, imagine all these different stocks as if they were groups of canal boats, without motive power of their own. Consider how they would appear if the tugs should start up. Remember that it takes time to develop steam and to get the fleet under way. First, the leaders feel the impulse; then the others follow in turn. The whole company of tugs and boats move along nicely together for a while and in one clearly defined direction, but should anything happen to cause the tugs to halt, or any of the boats break away, various complications would result. These might take considerable time to straighten out, in fact might result in the whole fleet halting, bumping together, or returning toward the point from which it started.

If the secondary leaders or minor stocks, through any influence, work themselves up into the first rank, or become unduly prominent, the effect will become different from that produced by the ordinary movement of the whole fleet as originally arranged.

This simple illustration enables us to understand the order in which a bull market is developed, started, kept under way and culminated.

The really important buying begins in the leading stocks, as these are the most influential and enjoy the widest fluctuations. Large operators can, therefore, make the most points in the handling of them.

Of course, accumulation of a large number of other stocks may be going on at the same time, but except for purposes of control, etc., the principal operators employ the stocks in the "Big Six" class. Other side-plays may be made in the secondary leaders, or in the minor stocks. Manipulators may, at various times, give assistance on the bull side to stocks in the second or third class, especially if it will aid them in marking up their principal holdings.

As has often been observed, the big stocks are the ones which reach their culminating point first. After this, the secondary leaders are brought into activity and prominence while the leaders are being liquidated.

An almost certain sign that a bull movement has culminated, temporarily at least, appears when the minor stocks are most in evidence. When this happens, it is usually time for the owners of the better class of securities to crawl into their cyclone cellars or get short of the market. The reason for this is the hesitancy on the part of the public to go long of stocks at all until a bull market has about reached maturity. Prices are never attractive to the majority of speculators when they are low, although, of course, a great number of investors come into the market in panicky times and absorb immense quantities of securities at bargain levels. But outside speculators (I mean those who do not make speculation a profession) will not be tempted to enter the market until the grand display of fireworks is touched off.

When this happens, things are usually at the top. Steel common, which the outsider scorned as a purchase at 30, 40 or 50, he finds selling above 90, so he goes into the lower priced issues in which he feels comparatively safe as they "haven't gone up so much." Thus the weakest class of speculators, namely, those who know the least about the art, are tempted into the market at a time when the "Big Six" and the secondary leaders have run their course and are about ready to turn down. For a few days there are riotous demonstrations in stocks of this class and every manipulator who has a "kite to fly," no matter how cheap or how unworthy it is, will start it soaring during this period. Usually such movements do not last long, and experienced traders are quick to take advantage of the coming break indicated.

The truth of the above will be recognized by any one who has gone through more than one stock market cycle, and the suggestions as to the advantages and disadvantages of trading in the different stocks must become apparent.

Of course, these remarks do not apply to any particular method of operating, but are given in a general way so that, no matter which method is selected, the trader will have a clear understanding of this most important point.

The various stocks also group themselves according to their ownership. The most important of these groups are, in their most recent relationships, made up as follows:

The Harriman group, consisting of Union Pacific, Southern Pacific, Atchison, Illinois Central, Pacific Mail, and Wheeling & Lake Erie. We understand also, that when Mr. Harriman died, he owned a large amount of Erie common and Wabash common, which has been syndicated. If this is confirmed, these two stocks should be included in this group.

The Standard Oil group consists of St. Paul, Amalgamated Copper, Anaconda, Consolidated Gas, Brooklyn Union Gas, Corn Products and American Linseed.

The Morgan group consists of Reading, Jersey Central, Chicago & Great Western, Atlantic Coast Line, Louisville & Nashville, Southern Railway, Hocking Valley, U. S. Steel and Mercantile Marine.

The Pennsylvania group is composed of Pennsylvania R. R., Pittsburg, Cincinnati, Chicago & St. Louis, and Norfolk & Western.

The Hill stocks are Great Northern, Northern Pacific, Great Northern Ore, Pacific Coast & Colorado Southern.

The Gould group is composed of Missouri Pacific, Denver & Rio Grande, Texas Pacific, St. Louis, Southwestern, Colorado Fuel and Western Maryland.

The Vanderbilt group is made up of the New York Central, Chicago & Northwestern, C. C. C. & St. Louis, Lake Erie & Western, N. Y., Chicago & St. Louis, and Delaware & Hudson.

The Hawley roads consist of Chesapeake & Ohio, Chicago & Alton, Toledo, St. Louis & Western, Missouri, Kansas & Texas, Minneapolis & St. Louis, and Iowa Central.

The Moore group, Rock Island, and American Can.

The Canadian Pacific group is composed of Canadian Pacific, Minneapolis, St. Paul & S. S. Marie, Duluth, South Shore & Atlantic, Wisconsin Central.

The Steel stocks are U. S. Steel, Republic Iron & Steel, Colorado Fuel, Bethlehem Steel, Sloss-Sheffield, American Steel Foundries, U. S. Cast Iron Pipe & Foundry.

The Equipment stocks are American Car & Foundry, American Locomotive, Pressed Steel Car, Railway Steel Springs, New York Air Brake, and Pullman.

The Electrical stocks are General Electric, Westinghouse and Allis-Chalmers.

The Copper group is composed of Amalgamated, Anaconda, Utah, Tennessee Copper, and Granby.

The Guggenheim group is made up of American Smelters, National Lead and Utah Copper. These issues are closely related to the movements of the copper stocks, and it is understood that a consolidation of the Guggenheim properties and some important copper companies is now under way.

The Telephone and Telegraph stocks are now confined to practically two companies, the American Telephone & Tele-

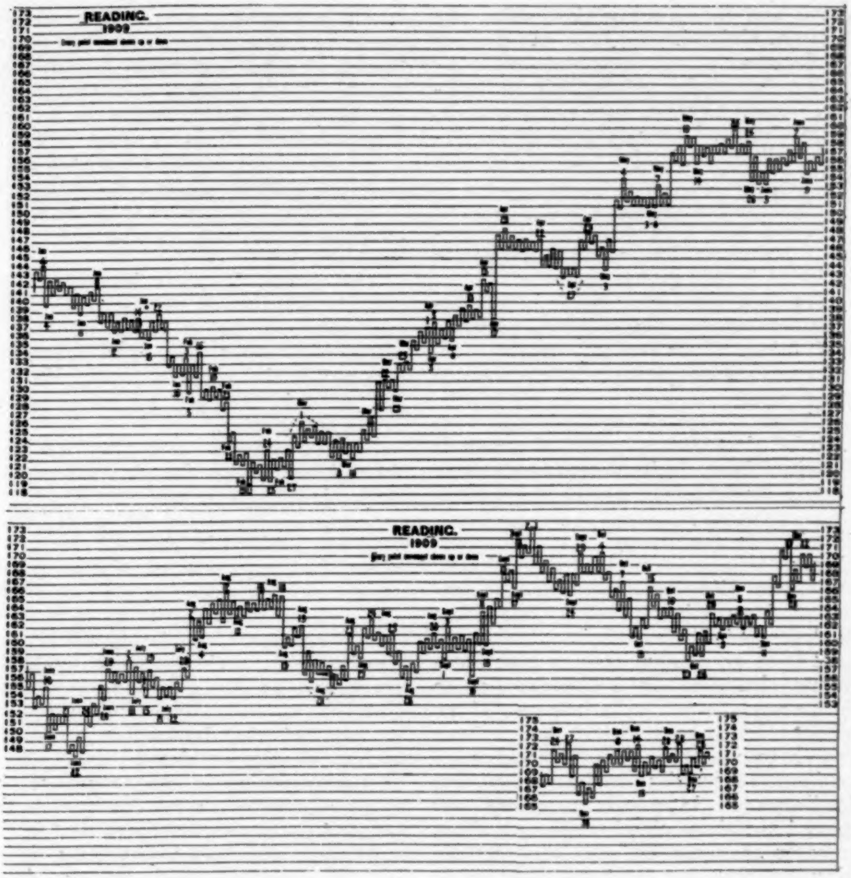


Chart of Reading, 1909, Showing Every Fluctuation of One Point or More.

Note.—This chart is especially interesting as showing the enormous possibilities for the trader in the active speculative stocks. If we count five-point swings only, we find that during the year the stock had 22 such fluctuations, aggregating 243 points. If the trader lost, on the average, two points of each fluctuation through inability to catch the exact turn in the market, he would still have room to make about 200 points profit.

Another interesting fact is that the swings of five points or more totaled 140 points in the last half year, compared with 103 points in the first half. Yet most traders regarded the market during the last half as giving fewer opportunities for making money than the first half.

graph and the Mackay Companies, the Western Union having been absorbed by the former.

The Anthracite stocks include Reading, Jersey Central, Erie, Lackawanna, Pennsylvania, Delaware & Hudson, Ontario & Western, Lehigh Valley (listed in Philadelphia).

The Chemical stocks are Agricultural Chemical and Virginia-Carolina Chemical. American Cotton Oil is frequently included in this group.

The local traction or public utility corporations are practically independent of each other. They respond largely to local conditions and have little effect on the general list.

There are also a large number of industrial corporations, each of which is the chief factor in its own field, its competitors at least not having the advantage derived from their securities being listed. Among these are American Sugar Refining, American Beet Sugar, American Woolen, International Harvester, International Paper, Union Bag & Paper and others in their class.

It is of great advantage to have these groups in mind, as it enables one to judge more correctly the influence of the various developments which appear from month to month. At certain times an outburst of activity on the part of one leading road in a certain group will spread to others closely affiliated. This may or may not be warranted by the circumstances, but there are times when the indications to be derived are valuable.

If one whole group of stocks becomes strong and active, it is usually a very good indication of the attitude maintained by the capitalists behind that group. It is frequently seen that stocks strengthen up and advance in a solid column. This often happens before a large bond issue or other financial event is to be announced, and is very often brought about for the purpose of giving strength and special prominence to the deal in hand.

The recent death of Mr. Harriman and Mr. Rogers has somewhat disturbed the influence and bearing of certain stocks with which they were identified, and at this writing, Mr. Edwin Hawley appears to be the most aggressive of the railway magnates.

Perhaps the time will come when all the railways in the United States will be consolidated, and we will then be obliged to trade in "American Railways" common and preferred; but until this is accomplished, we must use discretion and confine our operations to the stocks best suited to our purpose.

For instance, if we buy a stock principally for the stability of its dividends, we would select such issues as Illinois Central and Pennsylvania; if we want activity and wide fluctuations, we would go into Reading or Union Pacific. If we would speculate on the future of the Copper industry or on changes in the price of the metal, we should deal in the most prominent issue in that class, which is Amalgamated, and so on down through the list, according to our purpose and the method of trading which we have decided to adopt.

For the next issue, Rollo Tape will tabulate a comprehensive indicator, showing at a glance the value, activity, manipulation, and other important features of 200 different stock issues. By the use of this indicator, the character of each stock can be ascertained and the issues especially adapted to a particular form of trading can be readily selected.

Bird's Eye Views

V. Union Pacific: A Study of Value.

The following circular has just been issued by the Stock Exchange firm of Trippe & Co., New York. It contains matter of such timely importance that with their permission we reproduce it in full.

FEW high-grade investment stocks have given a better account of themselves in the stock market the past twelve months than Union Pacific, while the majority have not done as well. This statement holds true even if we disregard the short period during the summer, when Union Pacific was selling twenty points or more above its present level, although it is to the credit of the stock that it has given its holders a number of opportunities within the year to realize at better prices than those of to-day.

This generalization can easily be tested with a few comparisons. In December of 1908 we issued a letter calling attention to the speculative promise of Union Pacific. At that time the stock was selling a few points above 180. If we take the high prices of 1908, made about the close of the year, the stock to-day shows a gain of approximately fifteen points. Northern Pacific, by flat comparison, shows almost exactly that same percentage of loss, cut down by the 11¾ per cent. extra dividend to a net loss of three points or more. Great Northern shows a loss of eight points. Atchison alone among the great Western railroad company issues makes a better exhibit than Union Pacific, with a gain of twenty points, but Atchison a year ago was a 5 per cent. stock and has had the benefit of a dividend increase since then.

Turning to some of the older and better established investment issues, Pennsylvania has done best, with a gain in price of some three points and rights worth at the average price, eight points. New York Central, allowing seven points for the recent rights, shows a net gain of three points. Baltimore & Ohio shows a gain of five or six points. Northwestern, a typical "gilt-edged" issue, shows a loss of about six points, allowing for the rights at 16.

A year ago we said that the comparatively low price at which Union Pacific common was then selling was due largely to doubt among investors of the road's ability to maintain a 10 per cent. dividend on so large a bulk of capital. The fifteen points that have been added to the price since then may be said to represent the dispersal of such doubt to a considerable degree, for certainly no well informed person can longer question the company's ability to maintain its dividend rate at least as well as Northwestern, Atchison, St. Paul, Northern Pacific or Great Northern. In other words, it would take some general and radical disturbance of conditions, such as would affect all railroad securities severely, to deprive Union Pacific of the means of paying 10 per cent. Something of that sort has already happened since Union Pacific went on a 10 per cent. basis and, as might have been expected of a road amply maintained out of earnings and judiciously provided with fresh capital for improvements, the dividend policy of its directors was decisively vindicated. This is not to say that one must unqualifiedly approve of the suddenness and secrecy with which the rate was advanced from 6 per cent. to 10 per cent. in the summer of 1906, but it has become apparent that Mr. Harriman then knew much more about the road, its fine physical condition, the exceptional capacity of its operating officers and the essential soundness of its investments than did any other man.

If the reader will pardon another reference to our Union Pacific circular of last year, we stated then that there were

signs of a change in the road's traffic strategy—that thereafter through traffic might be a less paramount object of Union Pacific's endeavors and that more attention might be given to the development of local traffic by means of branch lines. Later events have proved how trustworthy the signs of that time were. When E. H. Harriman returned last summer from his fruitless search for health in Europe, and shortly before his deplorably early death, he declared with all the emphasis his failing vitality allowed, that the chief purpose of himself and his associates was to put good railroads where none had ever been before. From the close of the fiscal year 1900 to June 30, 1909, the actual net addition to the operated mileage of the Union Pacific system was 635 miles—70 miles a year. Partly this small increase in the mileage figures was the result of the sale or abandonment some years ago of road that was of little use to the system, but the fact remains that until very recently the energies of the management were concentrated on the upbuilding of trunk line business and but little directed toward the local development of the road's natural territory. But in striking contrast to this policy we find 281 miles of road added in the single fiscal year 1909, while at the present time the Union Pacific has upwards of 1,000 miles of new road under construction.

This is in all respects a change for the better. The Harriman lines embrace a magnificent territory, a veritable empire, but as compared with the system and the traffic this territory is, under intensive development, capable of supporting, the present Union Pacific and Southern Pacific railroads are as a bare sketch-plan to a massive completed building. And although the position of the Union Pacific in regard to the country's through traffic is unquestionably as secure as any road's can be, it is by all means desirable that a full volume of local business should be added to it.

A glance over the summarized income account of the Union Pacific for the past ten years will not only serve to recall to mind the wonderfully rapid progress of the system, temporarily interrupted by the panic of 1907 and its effects, but also to bring out strikingly the manner in which the road's "fat," or accumulated physical assets and general wellbeing, shielded the stockholders from any injury.

One scarcely needs to be told that a gain of $2,700,000 in gross earnings during a year of which the first half was still more or less under the influence of post-panic depression, speaks of the wonderful recuperative power of the young and vigorous West. The still more striking increase of $6,300,000 in net earnings was partly, of course, a matter of reduced maintenance, but to the extent of $1,500,000 it was a matter of reduced transportation expenses as well. There is no longer any need of going into the sufficiency of Union Pacific's maintenance charges. A road that constantly increases its train and car loading, that leads in the development of new patterns in motive power, that gets a greater average service per day out of its freight cars than any other trans-continental, as the car service reports of The American Railway Association proves, and keeps the ratio of its transportation expenses to gross earnings well below 30 per cent. month after month and year after year,

Income of Union Pacific for 10 Years

Year to June 30.	Mileage Operated.	Gross Earnings.	Net Earnings.	Surplus for Common Dividends.
1909	6,062	$78,750,462	$38,234,814	$37,616,577
1908	5,781	76,039,225	31,900,464	31,737,541
1907	5,645	76,040,726	33,396,103	32,194,925
1906	5,403	67,281,542	30,317,769	27,782,642
1905	5,358	59,324,949	27,462,235	18,802,697
1904	5,353	55,279,231	24,781,788	12,614,292
1903	5,762	51,075,188	22,327,973	11,254,578
1902	5,710	47,500,279	21,941,053	10,521,696
1901	5,686	43,639,264	18,951,036	9,618,190
1900	5,428	39,147,697	17,720,151	8,634,718

proves the sufficiency and the efficiency of its maintenance expenditure far more positively than any amount of statistics can. Even last year, the second successive year of reduced outlay, Union Pacific's maintenance compared favorably on a unit basis with the expenditures of its rivals west of the Missouri River. This should not surprise us if we recall that for three or four years prior to 1908, when the management was severely pruning away old equipment of inferior design and capacity, light bridges and light rails, and charging their replacement to operating expenses, the company's maintenance accounts were the amazement of practical railroad men as well as of financiers.

The last table above shows that for three years past the surplus available for common dividends has been very little short of the whole amount of net earnings, although we know that the system had a funded debt (on June 30 last), of $322,785,000. This quite unusual state of affairs reflects the magnitude of the Union Pacific as an investment institution and brings us to the most interesting aspect of the company's status from the stockholder's point of view. A comparison of the company's latest annual income account on a per mile basis with that of 1900 may bring out this change in the company's affairs more clearly.

per mile on a capitalization of $32,800 per mile, or 18.8 per cent. That is, in fact, just the percentage earned on the common stock last year.

Last year at this time Union Pacific's gross earnings were falling somewhat below the level of the corresponding period in 1907 and fell much below it a little later on. Also, net earnings, partly by reason of a restricted scale of maintenance and partly on account of the real operating economies made possible by the road's excellent physical condition and the natural circumstances of an industrial reaction, were exhibiting an almost phenomenal increase. This year gross earnings are increasing month by month in a moderate but entirely satisfactory ratio, while net earnings are just about keeping pace with the gain in gross. Changes in gross and net earnings (the latter after taxes have been paid) in the first five months of the fiscal year 1909-10 and 1908-9 compare as follows:

	July 1 to Nov. 30, 1909.	July 1 to Nov. 30, 1908.
Inc. gross..	$4,758,600	(Dec.) $331,800
	13%	1%
Inc. net......	$2,475,600	$3,857,100
	13%	25%

Not less than $2,000,000 of the gain in net shown here was a clear addition to the earnings on the common stock, which are now running above 20 per cent. Ordinarily the first half of the fiscal year is heavier in traffic than the second, but this year may prove an exception, owing to the fresh impetus given to the industry and commerce of the Western States by the resumption of railroad construction early last summer. Whether it does or not, Union Pacific has every prospect of earning twice its common stock dividend this year. There are $73,000,000

Capitalization and Income per Mile, 1900 and 1909.

	Bonded Debt Per Mile.	Pfd. Stock Per Mile.	Com. Stock Per Mile.	Gross Per Mile.	Net Per Mile.	Surplus for Com. Per Mile.
1909...........	$53,200	$16,400	$32,800	$12,990	$6,300	$6,200
1900...........	28,000	18,500	20,700	7,210	3,270	1,590
Increase.......	$25,200	*$2,100	$12,100	$5,780	$3,030	$4,610
Increase per cent.........	90	11	59	80	92	290

* Decrease.

This means, in short, that all but $100 per mile of the company's fixed charges and preferred stock dividends have been wiped out by the increase of the company's income from investments. In 1908 other income failed to cover charges and preferred dividends by only $210 per mile. It could be said almost without exaggeration that, as a railroad, Union Pacific is earning net profits of $6,200

convertible bonds to be reckoned with but these call for only $41,700,000 stock, making them an almost insignificant factor in the equities of the stockholder.

Considering the company's investments, during last year all that was left of the original "Northern Securities investment" except 7,249 shares of the Northern Securities "Stubs" was liquidated, bringing the total of cash realized from the whole liquidation up to $147,377,341, as shown by the annual report. The market value of the Northern Securities "Stubs" just mentioned is more than enough to bring the total up to $148,000,000, against a cost of a little more than $89,000,000. Thus the whole Northern Securities transaction, which began in 1901, has yielded a profit, in round numbers, of $59,000,000. As is well known, these profits and a considerable further sum of money was invested in 1906, at high prices, in other railroad stocks, notably Baltimore & Ohio, New York Central, common and preferred, Alton preferred, Atchison preferred, St. Paul and Northwestern. Some of these purchases have since been disposed of, those that remain show the following cost prices and present market values:

Some Union Pacific Investments

Shares.	Stock.	Cost Per Share.	Total.	Approximate Present Value Per Share.	Total.
18,450	St. Paul pfd....................	100	$1,845,000	172	$3,173,400
32,150	Northwestern	185	5,946,674	180	5,787,000
103,431	Alton pfd....................	86½	8,946,781	70	7,240,170
231,415	Illinois Cen.	163	37,692,256	146	33,786,590
142,857	New York Cen....................	137½	19,634,279	125	17,857,125
72,064	B. & O. pfd....................	92½	6,665,920	94	6,774,016
323,342	B. & O. common....................	120	38,801,040	119	38,477,698
	Totals		$119,531,950		$113,095,999

These chief items of the 1906 investment thus show a paper loss of about $6,500,000, but notwithstanding the extreme depression through which the country has passed since they were acquired only one stock in the list, New York Central, has reduced its dividend payments. Whether the traffic advantages which the possession of these stocks has given Union Pacific, offset the comparatively small loss the account shows at present prices is a debatable question; it is safe to say that the weight of opinion in railroad operating circles is that they have fully done so. At any rate, Union Pacific is not done with these stocks.

A number of items which appeared in the account last year have disappeared through sale. The $10,000,000 Atchison preferred was sold, practically at cost. St. Paul common, of which Union Pacific then owned $7,280,000 par value, was disposed of at a profit of $200,000.

But Union Pacific's first and most profitable investment must not be ignored. Its cost and present value, the preferred stock subscribed at par having been converted into common stock, stand as follows:

Cost of $90,000,000 So. Pac. com...	$51,616,627
Cost of $34,200,000 So. Pac. pref...	34,200,000
Total cost....................	$85,816,627
Value of $124,200,000 So. Pac. @ 135.	167,670,000
Profit on So. Pac. investment......	$81,853,373

We have recently prepared a careful estimate of the real investment value of Union Pacific's investments outside of the system proper, basing our figures on market valuations as far as was both possible and conservative, and in other properties represented at 5 per cent. The total easily reaches $340,000,000. This looks like an ovedrawn statement at first glance, but not when we recall that these investments include to-day the $59,000,000 profits on the Northern Securities transaction and the Southern Pacific venture, in which Union Pacific has practically doubled its original investment of $85,000,000.

It was the brilliant success of these cases capitalizing known earnings of the

audacious uses of Union Pacific's resources and credit that the common stockholders have to thank for the present annual profit of 20 per cent. on their capital—for the fact that Union Pacific's income as an investment institution takes care of its bond charges and preferred dividends together.

In our opinion it makes little difference whether the Supreme Court decides against or in favor of the Union Pacific's right to hold its outside investments, whether these enormous assets are distributed to the stockholders or retained in the company's treasury. The Northern Securities case and the high prices which Great Northern and Northern Pacific reached within a few months after a sweeping defeat of the Hill plan in the Federal courts should be enough to teach us that judicial decrees do not destroy any tangible thing of value.

Sooner or later a way will be found to give the stockholders of Union Pacific a greater share in the immense revenues of the company and it will then be much too late to get the common stock at 200, or anything like that price.

Two Traders

(A Tale With a Moral)

BY FREDERICK W. BROWN

Two chaps came down on the "Street" to trade,
And woo Dame Fortune, that fickle jade,
Who showers her favors with strange caprice,
On those who would fain their wealth increase.

Now both were green at the Wall Street game,
As they moth-like hovered around the flame,
Impatient at once their luck to try,
To make a winning, or else know why.

Now Adam Phool thought he knew it all,
Considered advice as so much gall,—
He'd take his chance with the bulls and bears
And knew just how to avoid their snares.

The other, D. Smart, had some common sense,
Albeit his brain was somewhat dense;
Yet to con the rules, he knew enough,
Ere he tried to throw an expert's bluff.

Mr. Phool bought stocks with a lavish hand,
And blew in his money to beat the band;
'Twas a lead-pipe cinch, he thought to win,
As his ten-point margin he handed in.

But sometimes stocks go the other way,
And so in sudden slump one day
His margin shrunk, and they called for more,
Which he remitted, though feeling sore.

Another drop, and a panicky scare
Found his account of protection bare;
They sold him out with a balance due
Of just four dollars and sixty-two.

And how about Smart, did he get caught,
When prices went off and lacked support?
Did he lose his all and get cleaned out
When triumphal bears put the bulls to rout?

"Nay, nay, Pauline," for this wise old owl
Was not that kind of a foolish fowl;
He sought advice of a man who knew,
And could tell him just what he ought to do.

"Place stop-loss orders on all your stuff,
For a two-point loss is quite enough,
Do this, and if stocks should get a whack
When the market turns, you can buy them back."

So while Adam Phool had nothing to show,
D. Smart made his profit on stocks bought low;
For the trifling loss when his stocks were caught
To his capital left were as simply naught.

Moral.

The fellow who fights and runs away
Still lives to fight on another day;
Don't go it blind, quit trading rash,
Use STOP-LOSS ORDERS and save your cash.

Judging Tops of Market Movements

A Few Helpful Suggestions for Students

By FRANK H. TUBBS

MANY comments and requests were aroused by the article "A Sign of Bull Moves," in the December TICKER, which permit, and almost demand, something more on the subject.

Re-opening the matter is particularly acceptable because, through an oversight in correcting proof, an important statement, bearing on the value of the whole article, was mixed up. The article spoke of a combination of "*the* active railroad stocks." This should have been "ten active railroad stocks." In order to appreciate fully the value of the figures through the article the student needs that difference.

"Rollo Tape," in the December TICKER, showed how to form a Mechanical Trend Indicator and that is just what my combination of "ten active railroad stocks" is. That combination of "Ten Rails" was arranged many years ago and differs in selection somewhat from the combination suggested by "Rollo Tape." His is just as good and, as it includes one stock most likely to influence the market for the next few years, is perhaps better. The "charting" from either combination shows about the same picture and the object of that picture is to make such graphic illustration of what the market is doing that the student will be correctly impressed.

The lesson sought to be given in my former article was that when a series of days showed very narrow range for the day it gave evidence that stock was becoming scarce in the street; that when stock is scarce a rise of some moment is inevitable.

That a student of the market shall keep such "Trend Indicator" as "Rollo Tape" suggests is so important that I cannot forego emphasizing it. Were nothing else given a student in a lifetime of subscriptions that one idea would be worth the price. Lesson which such "Trend Indicators" teach seem limitless. Although I have kept mine many years a new idea springs out at me from its charts every little while and probably many years hence it will be evolving valuable helps. It was from this "Trend Indicator" that came the idea which formed the basis of "A Sign of Bull Moves" and I believe investors can make money year in and year out if they thoroughly understand that idea and apply it intelligently.

Right there must a word be said about applying intelligence. No idea, even for making occasional trades, can be used blindly. The ramifications from an idea are countless, each affecting, in some way, the bearing on a trade. Discrimination in selecting the stock, where and when to buy it, whether it is best to buy much or little, whether to buy all wanted at one price or part at different prices, where, when and in what way to take profits—these are all radiations from the idea and each demands intelligent care.

Some of the comments and requests aroused by the article suggest that the writers saw in the idea a system of mechanical trading. It was intended to give, as the title suggested "a sign of bull moves." No intention of showing a "system" was in mind. If students are able on the idea to devise a "system" so much the better, but that was beyond the purport of the article.

One correspondent says we were told where to get in but were then left to get out as best we could. True. It was something to have the "sign of bull move" and it is only reasonable that the speculator should use judgment as to taking profit.

There are a few suggestions which may help some who do not dare trust their own opinion. One is, when you have a fair percentage of profit on the amount of capital employed, it is well to take profit. Probably every speculator has a

mental reservation of how much he will risk on a trade. It may be two points or three points. That constitutes his capital employed on that particular trade. Now, if one has 200 per cent. profit on his capital don't you think it a good idea to "cash in"? A few trades a year, making 200 per cent. on capital on each trade, is enough to please most capitalists.

That means, if you allow two points of risk when you have four points of profit, take them. If one's risk is placed at the amount of margin which brokers exact, namely, ten points, the percentage of expected profit would be much less. Not over 50 per cent. on capital should be sought. The important thing is to have a definite place for taking profit. Then, when that place is reached, take profit, no matter how alluring the prospect may appear at that time. Hoping for a little more has lost many a good profit.

Another way to tell when to take profit is shown by the "Trend Indicator." When, after a rise, there are a few days—three are enough—when the average high price of those days remains about the same, it is well to take profit.

This is not written for experts who can judge all sorts of influences. They may see other significance in a halt of three days in the bull move. It is for those who have not fathomed influences and must have a sign when to take profit.

Perhaps even more definite should be the instruction to them. I mean by the remark that when the tops of three consecutive days remain about the same, if three tops are confined within the space of one-half point, the market is making no direct bull headway. A reaction is imminent. It may be a small one or it may prove serious.

In the previous article itself was implied a way of taking profits. The evidence of scarcity of stocks was in narrowness of daily range. The converse, or inversion, of that evidence shows a time for profit taking. Scarcity was shown when a series of ranges was under one point. Rise generally went on till the range elongated to 2½ to 4 points. Recall that a single day of elongation is not thorough evidence that the move is over. When several days of elongation come it is surely time to take profit on a rally.

This leads to a question from a correspondent, "I wish Mr. Tubbs would be so kind as to write an article showing the indications when to sell." It may be the writer had in mind just such indications as are given above and it may be wished to be shown when to take the short side of the market for large reactions.

I am willing to tell all I know (which, in view of the boundless possibilities of knowledge in stock market speculation, is not much), and will give an idea on short selling for stimulating thought of students. I would remind readers again that this writing has no intention of making a system. It is merely to give helps to the student.

In the majority of cases, when a large reaction has come, the rise which preceded the reaction contained aggressive bullishness lasting a few days which gave pretty wide average range each day, followed by small reaction during which the average range was still wide and that followed by rally near the top with average daily range growing less. This has occurred so often that one would be justified in selling the market whenever it comes.

To carry out the work which gives this evidence may take two or three weeks. It would certainly take many days.

Always search for the reason which is behind an idea. The reason back of this lies in the fact that the top of a rise is always a period of distribution. Some good excuse for the rise is had in prospective increase in dividends, granting of rights, advantages of mergers, or similar cause. News of that sort arouses bullish enthusiasm which makes the rise comparatively easy for manipulators. They advance prices as fast and as high as possible.

When enthusiasm begins to wane or a supply of stock comes out from unexpected quarters the rise halts. Profit-taking by pools gives a first reaction. Pools wish to make one more attempt to bull the market, but, knowing they are

in a critical period of their work, they operate more cautiously. They are dealing with less enthusiasm and cannot work off stock so fast. This condition of trading makes the days more narrow and almost always on a range a little below the top of the first rise. That time has generally proved the right time for taking the short side of the market.

One can limit his risk by having a mental stop-loss just above the top of the first rise. In fact, in view of the truth that nothing is absolutely certain in the stock market, one should always protect himself in some way. The average trader has no other protection than the stop-loss order. An experienced trader, one who has come to know some cock-sure things, may protect himself by his superior knowledge and, therefore, never use stops but that will not do for the majority.

Another time for turning to the short side is when the average prices come up to about the bottom range of a previous distribution period. In this case there is less probability of making a small reaction and another rally two or three weeks later. The previous distribution period may have been several months, or even several years, before.

Herein lies a value of having a "Trend Indicator" which runs back many years. Comparisons must be made constantly. Those who cannot have access to such must be patient and build one for the future. The stock market will be with us always and the records of to-day will be what will be referred to several years hence. Let me drop a remark:—I consider that a "Trend Indicator," such as "Rollo Tape" tells you how to keep, covering a period of five years is worth several thousand dollars.

To return to the plan for telling when to take the short side by seeing the market has come up to the bottom of a former distribution period. What is the reason for stopping the rise at that place?

Supply and demand ever regulate movements. If distribution in the former period was general and complete there are many people still holding that stock. They have held it so long they are ready to throw it on the market as soon as the price gets back where they bought.

Manipulators know where the stock is. When they see stock is coming to them from such source they stop their bullish manipulation and try to secure profits. Selling by pools and outsiders at the same time is absolutely sure to bring reaction and a good one.

At this time for short selling it is quite easy to protect one's trades close, limiting possible loss. That is, if the chart shows that the market hesitates a little and is then pushed up into the bed of previous distribution, rest assured pools are prepared to take all offerings that have been held so long and that stocks are going higher. Therefore, after discovering real entry into the bed of former distribution, close the short sales on the first temporary recession or take a small loss.

One would like to trade on certainties but there are few, if any. He must go according to judgment based on a good reason. In this plan we have a reason and it works in a majority of cases.

The matter of discovering tops and bottoms of movements is so important to the average trader and the investor that even the two or three ideas which these articles have advanced will prove useful to real students. That there are dozens of other ideas equally good or even better, I do not doubt and it seems a duty to give them to the public as fast as they are discovered. Let students who know good plans give them out.

"What?" asks one, "Give away my ways of reading the stock market? Not much. They are worth too much to me."

Let me say to those who take this view that the realm of discovery is boundless. No one has discovered either the North or the South Pole in the stock market. A man who refuses to give out shuts the door on taking in. That is a psychological law. You cannot pour more into a full vessel. If a vessel is filled with secretiveness, selfishness and greed (which we, in our own consciousness, admit to be evils) there is no room for good, and by holding ourselves in a selfish attitude we limit the possibility of reception.

How to Select Investments

By WILLIAM WALKER

IV.—Selection of Securities for Reserve Fund

WE have recommended that about one-half of your capital be invested, in a more or less permanent form, in a reserve fund to be held against emergencies, but at the same time returning a fair rate of interest. It is better to distribute these investments among several different securities which are, so far as possible, influenced by different conditions.

The average investor will wish to put part of his reserve into bonds and part into stocks. There may be exceptional cases in which it is better to put the entire amount into bonds, as the principal is then certain to be returned at the maturity of the bonds if the company remains solvent; but the highest grade stocks always involve less risk than some bonds, and, as we have explained in a previous chapter, under some circumstances, a high grade stock is safer than *any* bond, if there is a probability that the owner of the bond may wish to sell it before maturity.

GENERAL CLASSES OF BONDS.

Under the present condition of what seems to be a general and world-wide advance in commodity prices owing to the increased production of gold, we must discriminate carefully between (1) long term bonds bearing a fixed rate of interest and having no speculative possibilities, (2) short term bonds, such as equipment or car trusts, and (3) convertible bonds, which may be exchanged for stock having speculative possibilities.

The ordinary long term bond is probably a relatively poor investment at this time. The investor is assured of the return of his capital and of the fixed rate of interest; but if, in the meantime, the purchasing power of money has shrunk, his "fixed rate of interest" is in reality not fixed at all, but is declining in proportion to the advance in prices of commodities, and his capital, when returned to him, is indeed the same number of dollars, but each dollar is smaller than when he bought the bond.

To avoid this risk, it is well to select, for the greater part of your bond purchases at least, bonds maturing within a few years, or bonds which are convertible into stock.

EQUIPMENT BONDS.

Car trusts or equipment bonds are very desirable securities, but apparently are not thoroughly understood by the public. It is stated that there has never been a default on an equipment bond. The reason of this is easily understood when the character of the bond is considered.

The equipment bond results from the purchase by a railway company of locomotives, cars or other equipment on the instalment plan. Suppose, for example, the road needs $5,000,000 worth of new equipment. The railway company pays $500,000 down and issues equipment bonds for $4,500,000, of which $500,000 is payable each year during a period of nine years. The company usually obligates itself to keep all such equipments in good repair and to replace such as may be worn out or damaged during the ten years.

Now, a railway cannot run without equipment. Hence no matter what happens to the road, this equipment will stay there. Even if the road goes into the hands of a receiver, that does not affect the claim of the holder of equipment bonds, as his security is in the equipment and not in the road itself.

Not only this, but each year, as one-ninth of the bonds fall due and are paid, the security behind the remaining bonds becomes proportionately greater. We

reproduce from THE TICKER of December, 1907, a diagram which makes this point very plain.

Owing to the fact that such bonds are for a short term, and because of the exceptional nature of the security behind them, also because they usually return a good rate of interest, they are especially desirable at the present time when the outlook for ordinary bonds is in some doubt.

CONVERTIBLES.

The convertible bond was discussed in THE TICKER for January, 1908, and again in October, 1909. It is a bond so long as the holder wishes it to remain a bond, but under conditions specified in the bond itself, it can be exchanged for stock when desired.

If, therefore, as many shrewd judges anticipate, bonds show a declining tendency for some years to come, while stocks show a generally advancing tendency, the holder of convertibles is safe—he will simply exchange his bonds for stock.

Against this must be placed the fact that many convertibles are now selling at a price which yields a relatively small income, because of the speculative possibilities of the stock for which they may be exchanged. All these factors must be weighed before any investment is made.

LEGAL SAVINGS BANK BONDS.

For those who know nothing of finance, bonds which are legal for the investment of savings bank and trust funds in New York and New England, are probably the best. The requirements of law in regard to savings bank investments were well summarized by Fairfax Harrison in a recent issue of the *Railway World*:

"The standard is practically the same under both laws, except that New York requires that the corporation must comply each year for five years, where as Massachusetts requires ten consecutive years. This test is that the railroad corporation shall own in fee at least 500 miles of standard gauge railroad; that its gross earnings each year, including the gross earnings of its leased lines and the gross earnings from the sale of coal from mines owned or controlled, shall be at least five times the interest on its entire indebtedness and the rental of all leased lines operated by it, and also that such corporation shall have paid to its stockholders each year an amount at least equal to four per cent. upon its outstanding capital stock, and that such outstanding capital stock shall be an amount equal to at least one-third of its entire indebtedness."

Less than one-quarter of the funded debt of American railways is composed of "legal" bonds, and many bonds which do not meet these requirements are just as strong as those which do. Nevertheless, all bonds which meet this legal test are good bonds—that no one can deny. Hence the usefulness of the law for those who do not care to investigate for themselves, or who distrust their own judgment. The circulars of bond houses announcing new issues usually inform the investor in what states the bonds are legal for savings banks and trust funds.

OTHER BONDS.

Good *municipal bonds* generally yield so low a return on the investment that they are not attractive to investors who attempt to manage their funds shrewdly. Occasionally, however, an offering of municipal bonds goes at a low price because the municipality is distant and little known, even though the security may be unquestioned. The following are the principal tests of a municipal bond:

1. Is the city or district an active and growing one?

2. Is the value of property relatively large in proportion to population? That is, is the community a wealthy one?

3. Is the tax rate low?

4. Is outstanding indebtedness small?

5. Is the bond vouched for by a banking house of high standing?

Irrigation bonds are attracting increasing attention and will soon occupy an important place among the newer securities. They vary greatly in character and each issue must be examined on its individual merits. In some cases they are backed by municipalities and are considered securities of the best class. In other

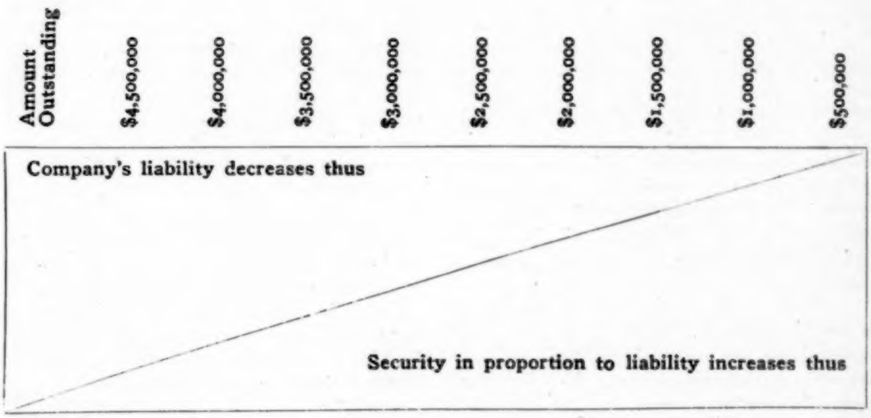
cases they are issued by private corporations and partake of the nature of industrial bonds. Some personal knowledge of the section to be irrigated, the water supply, and the general character of the enterprise is extremely desirable before investing in such bonds. The endorsement of a responsible bond house which has made a thorough investigation would in any case be essential.

Industrial bonds have been regarded with some skepticism by the majority of investors. For that very reason a liberal interest return may be obtained from such bonds if you personally know that the security behind them is ample and unquestioned. On the whole, however, they must be regarded as a "business man's risk."

being confined to real estate in and around the metropolis. These securities are also very popular in Seattle and Los Angeles, where the small investor is eager to participate in the rapid growth of real estate values.

A bond based on New York real estate and paying 6% has a slight speculative tinge; that is, the ability of the company to pay this rate of interest depends in part upon the continued increase in real estate values. To many persons, however, a reversal in the upward course of New York real estate values is so unthinkable that they are entirely willing to accept this remote possibility.

Guaranteed mortgages paying 4½% to 5% occupy a different position. If the guaranteeing company is sound, such



REAL ESTATE BONDS AND GUARANTEED MORTGAGES.

Various companies are now offering bonds or guaranteed mortgages based on real estate security, divided into convenient units of $100, $500 or $1,000 each, and paying 4½% to 6%. Before purchasing such securities, it is necessary to investigate:

1. The character of the real estate upon which they are based.

2. The character and standing of the company issuing or guaranteeing them.

A number of these companies are operating in New York, their holdings

mortgages offer the very best security and may well be considered carefully by those desiring the safest form of investment.

On the Pacific Coast all interest rates are higher than in New York, and there is no reason for looking askance at a 6% real estate bond there simply because it pays 6%; but Eastern investors should be cautious about these distant companies unless they have personal knowledge of the facts or have the positive assurance of a responsible banker who has made a thorough investigation.

In the next issue various classes of stocks for investment will be considered.

[CONTINUED IN THE MARCH ISSUE.]

Forecasting the Wheat Market

How One Experienced Operator Judges the Main Trend

By J. C. McKEE

1. The first thing to be taken into consideration is the condition of the growing crop.

2. The size of the crop raised and when it will move to market. This is what the price must be based on, as supply and demand will rule in the end. Manipulation, to be successful, must be based on these facts; any other will result in failure sooner or later.

3. There are three different sizes of crops to be taken into consideration—large crops, short crops, average crops.

4. Large crops: Markets decline on fine crop prospects, then rally, then decline in anticipation of a heavy movement to market and gradually sag until spring. Then a bull market will be run on crop damage reports, whether true or artificial, and shorts will be compelled to cover. This bull market will usually be run even if the visible supply is large and a liberal supply of contract grain is available.

5. Short crops: The market advances in anticipation of a short crop and continues high for several months in case the crop is actually short. High prices limit the demand for the commodity, then a decline starts which lasts until the longs have liquidated all their holdings.

6. Do not bear the tail end of a big crop. Do not bull the tail end of short crop. Nine times out of ten failure will result if you go contrary to these two rules.

7. Average crops: These are the hardest to forecast correctly. The price is up and down during the whole crop year. It advances on damage reports, then declines for the movement to market, then advances in the last part of the year and should reach top about February 1. At this time Argentine commences offering grain freely to foreign countries and this checks the demand for American grain.

8. The year following a short crop the market usually starts in rather high, then gradually sags, and is not bulled in the latter part of the year, but is bulled in the spring on crop damage reports.

There is usually one bull and one bear campaign every year, and by observing the above indications carefully, you can forecast the market pretty accurately, as a general rule.

A Bear Movement

Incorrigible Johnny Jones
  Had played a naughty prank,
His mother said, as she prepared
  Her hopeful son to spank,
"Though stock quotations I don't read
  As brokers do in town,
I feel that shirts are going up
  And trousers going down!"

—*Exchange.*

The Bargain Indicator

Comments on Various Interesting Changes

NOTE.—Except where otherwise noted, earnings are herein computed for the *twelve latest* months available, thus keeping the table constantly up-to-date. Additions and betterments are included in the earnings as given, wherever they are so reported as to be distinguishable from ordinary expenses of maintenance, since earnings invested in the improvement of the property are usually of more value to the stockholders in the long run than if they had been distributed as dividends. Such additions and betterments out of current earnings increase the equity of the stockholders and therefore render the stock more valuable.

As this magazine is mailed to subscribers two or three days before it appears on the news-stands, subscribers get the first advantage of the Bargain Indicator.

Railroads

Erie second preferred again heads the list, with earnings on its price that can only be accounted for by the peculiar position of this stock. The amount outstanding is only $16,000,000 and the recent earnings of the Erie make a large percentage when applied to this small amount of stock. Of course the first preferred has priority as to dividends, but it stands lower in the list because there is four times as much of it. Even Erie common shows earnings of 1.5%, after allowing for 4% on the first and 4% on the second preferred.

St. Louis & San Francisco second preferred is now getting the benefit of the large earnings which, before the recent dismemberment of the Rock Island System, went to Rock Island Company common. As the amount of St. L. & S. F. second preferred outstanding is small, an excellent percentage of earnings is shown. (Through a clerical error, this stock was given a wrong position last month.)

Detroit United shows heavy earnings in proportion to its price because of the difficulties with the municipal government of Detroit in which the road is now involved. The outcome is uncertain and investors therefore hesitate to buy the stock.

Buffalo, Rochester & Pittsburg common shows larger earnings than last month in spite of the advance in the price. Evidently investors are discovering the strong position of this stock.

Louisville & Nashville, which for some months has stood near the head of the list, drops a few places because of the advance in the price. Its earnings continue large.

Norfolk & Western common shows continual increases in earnings from month to month. If we are to judge from the indications, this stock is on the way to becoming a high-grade investment issue.

Colorado & Southern is another stock which has shown profits for those who have invested in it on the strength of its good showing in the "Bargain Indicator." The higher price this month causes the stock to drop to twelfth place.

Southern Pacific common also shows a higher price. It has been reported that this is due to buying by Union Pacific for the purpose of securing an actual majority of the stock. We presume very few persons have definite information as to the truth of this report.

Pennsylvania shows some reduction in per cent. of earnings on par because of the increase in the amount of capital stock.

Chicago & Alton reports increases in earnings monthly. We doubt if the position of this stock in the "Bargain Indicator" really shows its full value, because of exceptional circumstances. (See comments on "Bargain Indicator" in the December, 1909, issue.)

Rock Island common stood high on the list before the sale of the St. Louis & San Francisco. Its big advance in price, however, did not come until after that sale was announced. Those of our friends who bought the stock had ample opportunity to secure large profits. The present prospects of this issue are somewhat in doubt.

Industrials

Colorado Fuel & Iron preferred has advanced about 15 points since it was placed at the head of the "Bargain Indicator." Transactions in this issue are very small.

U. S. Steel common advances to third place because of the decline in price. Heavy earnings continue uninterrupted.

Pacific Coast common maintains its position because of increasing earnings in spite of the advance of 10 points in the price. Students of the "Bargain Indicator" have had a good opportunity for profits in this stock, which jumped from thirtieth place in November, 1909, to twelfth place in December.

International Harvester common has advanced sharply on the declaration of a dividend with stock bonus. Readers of our "Investment Digest" were prepared for this action.

THE BARGAIN

TABLE SHOWING WHICH STOCKS

RAILROADS

PRESENT EARNING POWER AS COMPARED WITH MARKET PRICE

Position.		Approximate earnings on par	Price Jan. 12, '10.	Earnings on price.
1	Erie second pfd.	(a)14.5%	40	36.3%
2	St. Louis & San Francisco second pfd.	(a)11	57	19.
3	Detroit United	11.3	64	17.7
4	Erie first pfd.	(b) 8.8	50	17.6
5	Buffalo, Rochester & Pittsburg com.	12.7	103	12.3
6	Toledo, St. Louis & Western com.	(c) 6.3	52	12.
7	Rock Island Co. pfd.	(d) 9.5	84	11.3
8	Louisville & Nashville	17.1	155	11.
9	Norfolk & Western com.	10.5	98	10.7
10	Southern Railway pfd.	(d) 7.6	72	10.6
11	Union Pacific com.	20.1	197	10.3
12	Colorado & Southern com.	6.1	60	10.2
13	Minneapolis, St. Paul & S. S. M. com.	12.9	138	9.3
14	Chesapeake & Ohio	8.2	89	9.2
15	Pittsburg, Cin., Chi. & St. Louis com.	(e) 8.8	98	9.
16	Atchison com.	(f)10.7	120	8.9
17	Atlantic Coast Line R. R.	11.4	134	8.5
18	Southern Pacific com.	11.1	133	8.3
19	Reading com.	(g)13.4	165	8.1
20	Kansas City Southern com.	3.1	41	7.6
21	Pennsylvania	(f)10.2	134	7.6
22	Delaware, Lackawanna & Western	46.1	605	7.6
23	Chicago & Northwestern com.	11.6	160	7.3
24	Great Northern pfd.	9.6	137	7.
25	Delaware & Hudson	12.7	180	7.
26	St. Louis Southwestern pfd.	5.2	75	6.9
27	New York Central	8.2	121	6.8
28	Twin City Rapid Tr. com.	7.7	115	6.7
29	Chicago & Alton com.	4.3	65	6.6
30	Canadian Pacific	11.9	179	6.6
31	Northern Pacific com.	8.9	138	6.4
32	New York, New Haven & Hartford	10.1	157	6.4
33	Baltimore & Ohio com.	7.5	117	6.4
34	Rock Island Co. com.	(h) 2.5	44	5.7
35	Wabash pfd.	3.0	53	5.7
36	Brooklyn Rapid Transit	4.2	78	5.4
37	Cleve., C., C. & St. Louis com.	4.3	80	5.4
38	Illinois Central	7.6	146	5.2
39	Minneapolis & St. Louis pfd.	4.0	84	4.8
40	Missouri, Kansas & Texas com.	2.3	48	4.8
41	New York, Ontario & Western	2.2	48	4.6
42	Denver & Rio Grande com.	2.2	48	4.6
43	Erie com.	(i) 1.5	33	4.5
44	Missouri Pacific	2.7	69	3.9
45	Southern Railway com.	(h) 1.2	32	3.8
46	Chicago, M. & St. Paul com.	(j) 5.8	151	3.8
47	St. Louis Southwestern com.	(h) .4	32	1.3
48	Wisconsin Central com.	.5	50	1.0
49	Wabash com.	.0	22	.0
50	Duluth South Shore & Atlantic pfd.	.0	31	.0
51	Texas & Pacific	.0	34	.0
52	Minneapolis & St. Louis com.	.0	50	.0
53	Iowa Central pfd.	.0	52	.0

(a) Entitled to 4% only. Div. for 1st pref. deducted. (b) Entitled to 4% only. (c) Includes income from Alton divs. (d) Entitled to 5% only. (e) Pref. and com. share equally after com. receives 5%. (f) On increased cap. stock. (g) Includes betterments on subsidiary companies. (h) After deducting 5% for pref. (i) After deducting divs. for 1st and 2nd pref. (j) Includes earnings Puget Sound Ext. for 4 mos.

INDICATOR

ARE THE BEST PURCHASES NOW

INDUSTRIALS, &c.

BASED ON LATEST OFFICIAL REPORTS

Pos.	Date of Report.		Approximate earnings on par	Price Jan. 12, '10.	Earnings on price.
1	June 30, 1909	Colo. Fuel & Iron pfd.	(a)42.9%	118	36.4%
2	June 30, 1909	Amer. Hide & Leather pfd.	(b)10.8	46	23.5
3	Sept. 30, 1909	U. S. Steel com.	(c)13.5	86	15.7
4	June 30, 1909	Amer. Agricultural Chem. com.	7.5	48	15.6
5	Mar. 31, 1909	Amer. Beet Sugar com.	7.0	46	15.2
6	Aug. 31, 1909	Am. Malt Corp. pfd.	(b) 6.2	41	15.1
7	July 31, 1909	American Linseed pfd.	5.8	45	12.9
8	May 31, 1909	Virginia-Carolina Chem. com.	7.1	55	12.9
9	Oct. 31, 1909	U. S. Realty & Improvement	(d) 9.8	82	12.0
10		Pacific Coast com.	(e)11.4	118	9.7
11	Jan. 31, 1909	Union Bag & Paper pfd.	(b) 7.1	74	9.6
12	Nov. 30, 1909	Sloss-Sheffield com.	(c) 7.6	85	8.9
13	Dec. 31, 1908	Am. Can pfd.	6.6	79	8.4
14	Mar. 31, 1909	U. S. Rubber com.	4.0	48	8.3
15	Dec. 31, 1909	Western Union	(c) 6.2	75	8.3
16	Apr. 30, 1909	Amer. Smelt. & Ref. com.	7.7	98	7.9
17	June 30, 1909	Rep. Iron & Steel pfd.	8.0	103	7.7
18	Aug. 31, 1909	Corn Products pfd.	(b) 6.1	85	7.2
19	Dec. 31, 1908	Peoples Gas	7.8	113	6.9
20	Dec. 31, 1908	National Lead com.	5.8	87	6.7
21	Jan. 31, 1909	National Biscuit com.	7.4	114	6.5
22		Amer. Tel. & Tel.	(e) 9.0	139	6.5
23	Dec. 31, 1908	Inter. Harvester com.	7.8	123	6.4
24	June 30, 1909	Distillers Securities	2.3	36	6.4
25	Dec. 31, 1908	Amer. Sugar Ref. com.	7.5	122	6.1
26	Dec. 31, 1908	North American	4.8	82	5.8
27	Dec. 31, 1908	Railway Steel Spring pfd.	5.6	107	5.2
28	Oct. 31, 1909	Inter. Steam Pump com.	2.6	53	4.9
29	June 30, 1909	Inter. Paper pfd.	2.7	58	4.7
30	Jan. 31, 1909	General Electric	7.4	158	4.7
31	June 30, 1909	National En. & Stamp com.	1.1	25	4.4
32	Feb. 1, 1909	Mackay com.	4.0	90	4.4
33	Dec. 31, 1908	Tenn. Copper (Par $25)	6.5	$39	4.2
34	Oct. 31, 1909	Amer. Steel Foundries	(c) 2.7	65	4.2
35	Dec. 31, 1908	Utah Copper (Par $10)	23.3	$57	4.1
36	Apr. 30, 1909	Amer. Car & Foundry com.	2.6	69	3.8
37	Dec. 31, 1908	Bethlehem Steel pfd.	2.4	65	3.7
38	June 30, 1909	American Locomotive pfd.	4.0	114	3.5
39	Dec. 31, 1908	Amer. Woolen pfd.	3.2	103	3.1
40	Dec. 31, 1908	Central Leather com.	1.3	45	2.9
41	Apr. 30, 1909	Amalgamated Copper	2.4	86	2.8
42	Dec. 31, 1908	Consolidated Gas	4.1	154	2.7
43	Dec. 31, 1908	N. Y. Air Brake	2.4	93	2.6
44	June 30, 1909	Allis-Chalmers pfd.	0.8	52	1.5
45	May 31, 1909	U. S. Cast Iron Pipe pfd.	1.3	84	1.5
46	Dec. 31, 1908	Pressed Steel Car pfd.	1.2	106	1.1
47	Jan. 31,1909	Union Bag & Paper com.	.0	13	.0
48	Dec. 31, 1908	Amer. Can com.	.0	13	.0
49	June 30, 1909	Inter. Paper com.	.0	15	.0
50	July 31, 1909	Amer. Linseed com.	.0	17	.0
51	Aug. 31, 1909	Corn Products com.	.0	22	.0
52	May 31, 1909	U. S. Cast Iron Pipe com.	.0	29	.0
53	Dec. 31, 1908	Bethlehem Steel com.	.0	33	.0
54	Dec. 31, 1908	American Woolen com.	.0	34	.0
55	June 30, 1909	Republic Iron & Steel com.	.0	43	.0
56	Dec. 31, 1908	Pressed Steel Car com.	.0	48	.0
57	Dec. 31, 1908	Railway Steel Spring com.	.0	49	.0
58	June 30, 1909	Amer. Locomotive com.	.0	58	.0

(a) Divs. in arrears. Stock very inactive. (b) Divs. in arrears. (c) Based on quarterly earnings. (d) Based on 6 mos. earnings. (e) Based on current reports.

Trading on a Scale

Is There a Safe Method of Operating on This Plan?

THE weak point in any scale proposition is usually the man who gives the orders. Out of the thousands of people who endeavor to make money by trading on a scale we have never known any one to make a big bunch of money and get away with it. Everyone who operates this way will hit it at times, but it is not what you make so much as what you keep, that enables you to retire in peace to your place in the country.

Every once in a while some one pops up with a brand new idea on scale trading, and on paper it certainly looks good, but upon boiling the plan down and trying it out over a bad period, we almost invariably strike a snag.

There is one little game of playing on a scale which would turn in several points a week if somebody would guarantee to keep Reading within a range of, say, 5 points for a period of six months; but let the stock break out of this range on one of its phenomenal runs and the result will be that Mr. Scale-trader goes up in the air, because he either has not money enough to stand the racket, or his nerve gives out at the critical point.

When we were all small boys there was a party by the name of Flagg who wrote a book, "How to take money out of Wall Street." Flagg's idea was full of scales, which may have been the reason why it sounded fishy. He figured that a stock which rose 5 points was bound to react, say, 2½ sooner or later, so he got on both sides of the market, buying St. Paul and selling Union Pacific or some other stock simultaneously. In fact, he never did buy something unless he sold something else at the same time, and whenever he could secure a point profit he grabbed it.

He illustrated the idea in this way: "You have often seen a boat stranded on the beach at low tide. Well, that boat don't stay there, because the next high tide lifts it a little and enables it to float. It is just like this with stocks which we buy and sell. Sooner or later, no matter how high they go or how low they go, they come back and we get our profit."

Mr. Flagg probably forgot that stocks like Lackawanna, Great Northern, etc., are apt to sell very high, cut melons, and then go up some more. In other words, some of the boats which you may try to float under the Flagg method may be stranded so high that nothing will ever float them again.

One of the ways in which a brokerage house can tell a client what to do and still leave a knot hole through which to crawl, is this: "We think very well of Union Pacific and advise buying it on a scale down." A woolly lamb reads this shrewd advice and proceeds to buy a hundred Union Pacific at 210. At the same time he leaves the order to buy another hundred at 209. This, he thinks, is buying on a scale down.

There is no way of telling what the brokerage house meant by a scale down. It may have been a 2, 5 or 10 point scale; the house neglected to state; but the lamb is sure to get it wrong and when, after having bought the 209 kind, the stock continues on its downward course, he gets excited at about 208 and at 207 he wires for advice. By that time the stock is selling at 206 or 205 and he sells out at a big loss.

The antidote for this sort of poison should be dealt out with the original package something like this: We think Union Pacific is a purchase at 210, but it might go to 205 or 200, in which case we think more should be bought at the lower figures.

Most lambs don't realize what wide fluctuations the market can have when it once begins to get busy, and for that reason anybody who gives advice as to

scale trading should state the exact points at which they recommend purchases or sales.

The other day a man brought in a bundle of scale systems, any one of which would show a beautiful profit on paper. Some of them perhaps would stand testing out in actual trading, but as we know of no method for measuring the amount of nerve which an individual might possess at certain points along the line, we could not see how any of these systems might be held up as sure profit producers.

The best method of scale trading we know of is explained in Chapter VI. of Nelson's "A B C of Stock Speculation." It is a part of Dow's theory. This calls for a capital of $2,500 for units of ten-share lots of a medium priced, dividend paying railroad stock. Presumably a larger amount would be recommended for such a stock as Reading or Union Pacific.

Undoubtedly, if the trader would provide himself with this amount of capital, trade in ten-share units only, and stick to his plan through thick and thin, he would secure a reasonable profit every year, provided that he had ordinary business judgment and knew something about judging the general trend of the market.

The difficulty would be in getting the trader to restrict his operations to ten-share units, and in preventing him from getting frightened when he saw the greater part of his capital melting away in a panic, and dumping everything overboard. Again, there are times when it is almost impossible for a broker to borrow money for carrying stocks on margin. The trader might have to do some special financing to prevent his system from breaking down under such conditions.

Generally speaking, no trader should adopt Dow's scale method unless he is sure that he knows enough about speculation not to be caught on the long side in a panic, or else is willing to provide enough capital to pay for all stock in full.

A buying scale order should have a stop order under it somewhere, and if there is no stop order every share should be paid for in full. Anyone who sells on a scale up must either use stop orders or run the chance of being caught in a corner similar to Northern Pacific. So far as our intelligence serves us, scale trading against the market is a good thing for the sort of fish that will bite at anything.

Will somebody kindly convert us by coming forward with a scale method which contains a guarantee against that insidious Wall Street disease known as "cold feet"?

Trading on a scale against the market (bucking the trend) is one thing and pyramiding with the market is quite another.

There are times when, with a short stop order, an original risk of two or three points may be turned into ten or twenty points profit by pyramiding every few points. In no case, however, should an operator who is working on this plan allow his original risk to be increased, and he should seldom, if ever, let a profit, once secured, run into a loss.

Take a rise in a stock from 60 to 80 and suppose the original purchase was made at 60 and stopped at 58. If you pyramid every four points and keep the stop four points below the highest, the result will work out as follows, assuming that after the stock has reached 80 it reacts to 76:

	Bought.	Sold.	Loss.	Profit.
100 shares	60	76	....	$1,600
" "	64	76	....	1,200
" "	68	76	....	800
" "	72	76	....	400
" "	76	76	....	......
" "	80	76	$400	......
			$400	$4,000
Commission and tax, $27 per trade			135	
				535
Net profit				$3,465

This is more than nineteen times the original risk of $200.

This is the kind of trading that may be called scientific. It requires more courage to operate thus than to buy on a scale down during a decline. Therefore, the demand for a preventive of "cold feet" is greater under these conditions, or at least until the operator accumulates a monumental nerve.

The Bucket Shop Man's View

His Attitude Toward Winning and Losing Customers

IF you want to learn why people lose money in the stock market, go to some one who has run a bucket shop. There is no better place on earth to study the weaknesses and follies of speculators than in one of these places where small lots are handled on small margins.

The average bucket shop owner requires a two-point margin, so that any one who buys will be wiped out on the first decline of 1¾ points, the other ¼ covering "commissions."

First glance at this proposition would seem to indicate that the bucket shop keeper was working against his own interest in allowing traders to take such a small loss, and placing no limit upon their profits, but experience proves that the great majority of bucket shop traders do not let their trades "go out" when their first two points is exhausted. They renew the margin and instruct the bucket shop man to "keep the trade good." When the bucket shop keeper can record a long list of trades marked "K. G." (keep good) his face is wreathed in smiles, for he knows that these people will keep on margining their trades as long as they have a dollar left, and be shaken out or scared out at the bottom.

A number of shrewd players in the regular market keep in constant touch with the position of the public as indicated by the bucket shop sheets. In spite of the recent anti-bucketshop laws, there are concerns with headquarters not many miles from New York, from which wires radiate to far distant points and connect with small bucket shops in cities and towns of every size. When the sheets of these houses show that the public is heavily long of Steel, Union and St. Paul, and short in the aggregate, enormous quantities of Reading, it is a very reliable indication that the shorts in Reading will be given a twist, and that sooner or later Steel, Union and St. Paul will break.

We do not wish to imply that the big fellows in the Street go after the bucket shop traders, although this is within the range of possibilities, but it does mean that when a stock like Reading looks like an attractive short sale to the outside public, it is generally a purchase on the ground that the public is wrong nine times out of ten.

A few years ago, two well-known backers of bucket shops in lower Broadway used to swing big lines of stock in the New York Stock Exchange, these transactions representing their personal ventures based on the position of the public as shown by their sheets. Frequently one of these parties would spend the night in the other's house, and the two friends were known to buy or sell 5,000 or 10,000 shares of a stock between themselves, the transactions being consummated by their calling back and forth to each other from one bedroom to the other. One man's sheet of open trades would give him a somewhat different view from the other's; hence their difference of opinion.

Bucket shops keep a close record of the winnings and losings of each of their branch offices and correspondents. If the receipts from one office begin to fall off and the sheets show that some one in that particular place is steadily winning money from the house, a representative is sent out to investigate the cause and to ascertain whether it is blind luck, or whether the winner really knows something which enables him to beat the market. If the house thinks that the winner is too wise, they refuse to take any further trades. If there is no other way, they will close the office rather than continue losing money.

There are very few people in this country who can continuously beat the bucket shops, but when it looks as if one of these individuals had bobbed up in one locality or another, the matter is given immediate attention. A successful

trader some years ago took a great deal of money out of a certain bucket shop. In looking over the books some time later, the proprietor noticed that he was again beginning to trade with phenomenal success. The trader was asked to call and see the Main Guy at the headquarters of the concern.

"Now look here, my friend," said the Boss after the interview had been started, "we are not going to keep on losing money to you. There is no sense in our having fifty customers who are losing, and taking in their money merely to pay it all out to you again. We are not in business for our health. We run our business the same as you handle your speculations. You cut your losses short and let your profits run. We do the same. That office has been losing money ever since you began trading, so you have got to cut it out. We don't want any more business from you."

The ordinary speculator can derive a lesson from this. The bucket shop keeper knows that the average trader will take a point profit and stand for a ten or twenty point loss. This forces the bucket shop trader to take a one point loss and ten or twenty points profit. A bucket shop man once said, "If I have one good ten-share trader in my office, I can live off of him, provided he has money enough to keep at it."

It is an old story, this warning to "cut your losses," but newcomers in Wall Street seldom listen to it. It is only after they have been through the fire, lost all their money and saved or borrowed enough to make a fresh start, that they begin to absorb some little glimmer of the truth.

The old saw, "Cut your losses, let your profits run," is a buzz saw if you don't follow it, and no one knows this better than the bucket shop man.

Points for Beginners

MARGIN is what you have left.

A trust is a large body of water with no outlet.

The fish that bites at every worm gets lots of worms.

A bull is one who wants you to take something off his hands.

A bear is a person who wants you to sell him something cheap.

Whenever you can secure a ten-point profit in a single day, take it.

A jackass is one who first doesn't dare, then does and wishes he hadn't.

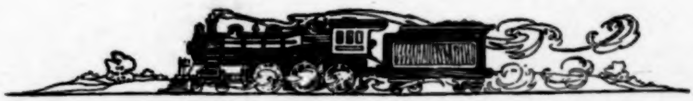
A syndicate is a large body of men entirely surrounded by money.

Cutting your profits and letting your losses run is getting rich backwards.

If all the hopes of speculators could be cashed in there wouldn't be that much money.

The pedigree of most tips proves that a scandal has existed somewhere in its family.

When another person *guarantees* that he can make for you 520 per cent. a year, hand him your bundle at once and go about your business. This will save you much time and annoyance, as he will get the bundle anyhow. In case the guarantor does not arrive at his office before you get there, just throw the bundle over the transom.



The Investment Digest

FOLLOWING is a list of publications, etc., from which this Digest is prepared. Where the name of a banking or brokerage house is given, the matter is taken from their special letter or circular: New York: *Bond Buyer; Financial News; Wall St. Journal; Wall St. Summary; Moody's Magazine; Moody's Manual; Commercial & Fin. Chronicle; Financial Age; Financial World; Railroad Age Gazette; U. S. Investor; Commercial; Booklyn Eagle; Leslie's Weekly; Evening Mail; Evening Post; Herald; Journal of Commerce; Sun; Times; Tribune.* Boston: *News Bureau; Commercial; Financial News; Transcript; Herald; Post.* Chicago: *Record-Herald; Tribune.* Philadelphia: *Financial Bulletin; Railway World; North American.* Pittsburgh: *Dispatch;* Washington *Post;* Louisville *Courier-Journal;* New Orleans *Times-Democrat;* Baltimore *Sun;* St. Louis *Post-Dispatch;* Cincinnati *Commercial Tribune;* Cleveland *Commercial Bulletin;* Memphis *Commercial Appeal;* Kansas City: *Star; Journal.* Dallas *News;* Houston *Post;* Seattle *Times;* Toronto *Globe;* Montreal *Star;* Minneapolis *Commercial West;* Birmingham *Age-Herald;* San Francisco *Journal of Commerce;* Denver *Post;* Atlanta *Constitution;* London *Statist.* Market Letters: Hayden, Stone & Co.; Clement B. Asbury; John Moody; Thos. Gibson; J. M. Fiske & Co.; Swartwout & Appenzellar; Eugene Meyer, Jr., & Co.; J. S. Bache & Co.; Spencer, Trask & Co.; W. C. Langley & Co.; Wrenn Bros. & Co.; Robert Goodbody & Co.; Kissel, Kinnicutt & Co.; Alfred Mestre & Co.; N. W. Halsey & Co.; Brown Bros. & Co.; Farson, Son & Co. Neither THE TICKER nor the above authorities guarantee the information, but it is from sources considered trustworthy.

Am. Agri. Chemical.—Gross sales for the six mos. end. Dec. 31, the first half of its fisc. yr., were of record-breaking propor., showing a gain over the same mos. of 1908 of about 12%. The co. still has ahead of it the heaviest selling season of the entire 12 mos., and the pros. for a big business were never better than now.

Am. Beet Sugar.—Altho. Am. Beet Sugar output the present yr. will be greater than for 1908, it is not likely that earlier est. of an inc. of 20% to 25% will be realized. In Cal., where the compaign has been compl., the outturn was much greater than a yr. ago, but in more northern states the crop has been damaged by weather con.——The beet sugar crop for the cur. yr. is est. at 435,000 tons, comp. with 384,000 a yr ago, an inc. of 13%. In 1907 the crop was 440,200 tons.

Allis-Chalmers.—Orders booked by the co. for the five mos. end. Nov. 30, were 70% in excess of the corres. period of 1908 and 58% greater than for the same mos. of 1907.——At present the works are oper. at 85% of their old cap., although it is imposs. to tell just what actual cap. is until add. to the West Allis exten. have been fully completed.——Allis-Chal. first mtg. 5s have been comp. active during the last two mos. with ad. in price from the low of the yr. to 85 up 5 points. During the mo. of Nov. over $1,200,000 of the bonds were traded in on the N. Y. Exch., a record not exc. by any indus. bond except U. S. Steel 5s and Am. Tob. 4s. The imp. fin. con. of the co. has attracted consid. investm. buying.

Am. Can.—The recent weakness in Can. Co. stks. is based on recent unfav. devel. in the can manuf. indust. The competition has forced the co. to make a reduc. in the price of packers' cans, which form a large pro. of its output, and a price war is threatened. The cut has been met by the Cont. Can Co., the U. S. Can Co., and other compet., but fears are enter. that prices will be lowered further.——It is learned on auth. that the earn. of the co. for the yr. just closed amt. to a trifle over 7% on the pfd. stk. This comp. with 6½% the prev. yr. As the co. paid out 5% in pfd. divs., there is left but a margin of 2% appl. to the accum. unpaid divs. on this stk., which now amt. to 28%. The prosp. of paying anything on acct. of this indebt. in the im. future is therefore very slim, unless the way is cleared through some rearrangemt. of the cos. cap. The directors, it may be stated, have been consid. such an alternative for some time, altho it is asserted that no defi. plan has as yet crystald. The gen. prop. is to scale down the co.'s cap., which totals $82,466,600, equally div. into com. and pfd. stk., to a figure more commensurate with the co.'s earn.

Atlantic Coast Line of Conn.—A meeting of shholders of the Atl. Coast Line Co. of Conn. has been called for Jan. 26 to ratify an issue of 5,040,000 add. stk., which will be offered to shholders. at par to the ext. of 40% of their holdings. Paymt. for the new issue is to be made on or before Feb. 15.——The pro. of the issue will be used prin. to pur. at 97½ and int. the $5,000,000 4% "B" certi.——The Atl. Coast Line Co., which was org. May 29, 1899, owns a majority of the cap. stk. and a large amt. of the bonds of the Atl. Coast Line R. R., which in turn con. the Louisville & Nash. R. R. thro. the ownership of $30,600,000 of its stk. The Conn. corp., which is issuing add. stk., has an auth. cap. stk. of $30,000,000, of which $12,000,000 is outst.

Atlantic Coast—Louisville & Nashville.—The Coast Line Co. this fis. yr. will receive in div. from L. & N. $2,142,000, and its "other income" is likely to approx. $1,500,000, a total of $3,642,000. The net earn. of the Coast Line in the 1909 fis. yr. exc. $8,000,000 and for the first 4 mos. of the cur. fis. yr. the inc. has been at a rate eq. to $1,391,337 a yr. On this basis the co. would show for the cur. yr. a total inc. of over $13,000,000. Ded. $7,000,000 for all fixed chges. and the small amt. req. to pay the div. on the pfd. stk. (less than $80,000), the co. has the prosp. of closing the fisc. period with a sur. of over $6,000,000 or more than 12% on its com. stk., which, incl. the class "A" stock, amts. to $48,537,600.——With L. & N. earn. 20%, the equity of the Atl. Coast Line would amt. to $6,120,000, or nearly 13% on Coast Line com. Ignoring the div. now received from L. & N., the earn. of Atl. Coast Line proper are now at the rate of over 8¼% on its own stk., so that it is well within the bounds of conserv. to say that, incl. the equity in the full earn. of L. & N., the Atl. Coast Line R. R. must be enjoying an earning power exc. 20% on its com. cap.——If L. & N. inc. its cap. as has been suggested from $60,000,000 to $100,000,000, Atl. Coast Line's prop. of this new stk. would be 204,000 shs., the purch. of which could be fin., of course, by a new col. trust mtg. which should incl. only a fair pro. of the L. & N. stk. now owned and which might be acq., thus leaving a part of L. & N. as a free treas. asset of Atl. Coast L. It is reasoned here that as the owner of 510,000 shs. of L. & N., worth nearly $160 per sh., a 7% div. payer, and with large eq. over and above the 7% div., Atl. C. L. would be in a very comfortable position. It is said the div. on A. C. L. may be raised at the next period which would further enhance the credit of the co. and be of mat. assist. in case a new bond issue were planned.

Am. Hide & Leather.—The next quar. meeting of the co. will be held about the middle of March.—The business of 1909 has been a vast. imp. over all previous years. There is avail. a work. cap. close to $10,000,000, and the $13,000,000 pfd. stk. has prob. earned 11%, but it is not unlikely that a contin. better business is desired before any action will be taken towards paying back div. now amt. to about 68%.——Gross sales during the yr. may be $20,000,000. Surp. is about $3,000,000, and there has been red. thro. the sinking fund, or is held in the treas., a little over $3,000,000 of an orig. bond issue of $9,000,000.——At close of the last fis. yr., June 30, total cur. assets amted. to $11,283,020, an inc. of $2,338,558 over the yr. before. Pro. for the yr. were $1,404,212, as against a loss of $13,438 in 1907. Pres. supply of skins and hides is more than $2,000,000 greater than a yr. ago. One reason for larger earn. is that the co. was fortunate in having in stk. raw mat. that has greatly inc. in val. during the past six mos.

Am. Linseed.—The business methods and fin. policy F. T. Gates and J. D. Rockefeller, Jr., who have been active members of the board for the last 7 yrs., have worked a great change in the affairs of the co. Now that it is free of all floating debt, imp. econ. have become possible and a consid. further inc. in profits is exp. Those acq. with trade affairs est. that the co. now has an earn. cap. equal to the full 7% div. on the pfd. stk. and from 4 to 5% on the com., after allowing an ample amt. to maintain the plants in first rate phys. con. Director Gates, who is influential in the managemt. of the co., has made an excellent record in other indus. enterprises.

Am. Locomotive.—The co. has a defi. for the fisc. yr. end. June 30, 1909, of $762,861, and will have to pay notes outs. at the rate of $1,000,000 a yr. for three yrs. and $2,000,000 for 1913 and 1914, it is very doubtful if the com. stk. of the co. is placed on a div. basis for at least a yr.——The only fin. done during 1909 was an issue of $5,000,000 5% notes, payable up to 1915, to be used for exten. and imp.——During the past yr. the co. built 1,115 locomo., as comp. with 1,170 in 1908.

Am. Sugar.—Am. Sugar is no longer a shholder in the Am. Beet Sugar Co., in which at one time it owned about 80,000 shs. Over 50,000 shs. were disp. of before the present managemt. took hold of Am. Sugar and the bal. of nearly 25,000 shs. has been sold during the last few mos. The withdrawal of Am. Sugar from Beet Sugar affairs merely reflects the policy of the big co. to have its money inv. in int. or div.-prod. sec. This Am. Beet stk. was sold at a price to show Am. Sugar a handsome profit on its orig. investmt.

Am. Smelters Securities Co.—The Guggenheim Explor. Co., which con. 40% of the Am. Smelters Sec. Co. com. stk., has refused $150 per sh. for its holdings.——There is $30,000,000 or 300,000 shs. of Smelters Sec. com., but none of it has found its way into the public's hands. The Am. Smelting & Ref. Co. in its latest avail. report held among its assets 177,510 shs., the val. of which, however, has not been incl. in the investmts. of that corp.——The avge. surp. for the last six yrs. has been 8.86% and the lowest, which was earned in 1904, was 6.75%. The earn. during the late dep. exc. 8%, while the profit and loss surp. for the present fisc. yr. is $15,251,268. The quar. div. has just come off and matters are shaping themselves for an inc. in the quar. paymt. to 1½%, which will put the stk. on a 6% basis.

Atchison.—The earns.' statemt. for Nov. showed about the same char. as those of prev. mos., viz.: a large gain in gross of $1,225,000, but a comp. small gain in net earn. of $334,000. For the first five mos. in the fisc. yr. the co. has now a gain of $5,393,000 gross, and $2,131,000 net. Assuming that the first two issues of conv. bonds have been conv. into stk., and prob. the maj. have been, the pos. of the stk. as resp. earn. is about as follows:

Net earn. fisc. yr. end. June 30, 1909	$20,417,000
Gain in net earn. first five mos...	2,130,000
Saving in int. on two iss. conv. bonds	2,200,000
Total	$24,747,000
Less div. on pfd	5,708,000
	$19,039,000

The conv. of the two issues of bonds would raise the outst. com. stk. to $176,726,000, as against $121,559,000, June 30, 1909. As applied to the larger amt. the earn., as against the above, would amt. to a trifle under 11%. We have taken no act., in this est., of the new issue of conv. bonds, as only two instalmts. on these are payable in the cur. fis. yr., so that the int. on them would affect but little the above statemt. Doubtless, as the int. on this new issue accrues, the co.'s earn. will expand, so as to main. the same rel. earn. power.

Baltimore & Ohio.—It may be auth. stated that the B. & O. will bring out some new fin. in the near future. Just what form this new fin. will take has not been determined as yet, neither has the time nor the amt. of sec. to be issued. It may be said, however, that the prob. favor an issue of bonds during the latter part of Feb.——B. & O. has no oblig. mat. within the next two yrs., but the co.'s recent acq. of the Chgo. Term. Trans. cost it $16,000,000. It is believed that part of the pro. fin. will be used to meet the paymts. for this prop.——Ch. Term. Transfer has been in a very poor oper. con. for some yrs. past and has consist'ly shown a defi. The B. & O., it is believed, will make consid. expend. on this prop. with the intention of putting it ultly. on a paying basis. Taking the above factors into consid. a conserv. est. would place the amt. of new fin. at $25,000,000 or $30,000,000.

Brooklyn Rap. Transit.—The div. question must be settled soon, because the co. is in need of new credit, and bonds will prob. be issued within a yr., and if the div. rate is raised to 5%, it would tend to strengthen the credit of the co. It says that earn. have inc. to such an ext. since the close of the last fis. period that the remarkable fig. of 9% is predicted as the earn. on the com. stk. for the yr. to end June 30, 1910.

Brunswick Term. & Ry. Sec. Co.—The N. Y. Stock Exch. has listed $5,000,000 cap. stk. be submitted for the stk. of the Brunswick Dock & City Imp. Co. The Stock List Com. is further empowered to add to the list $2,000,000 add. of said stk. on notice of issuance under the terms of appl., making total amt. to be listed $7,000,000. The co. acq. Jan. 4th all the stk. of the water, gas, electric light and trolley co.'s oper. in Brunswick, Ga.

Butterick Co.—The statemt. of the co., publ. in con. with its issue of new stk. to acq. the Ridgway Co., calls atten. to the highly spec. char. of the pattern and pub. business. The Butterick Co. has little prosp. of recov. the prosp. which it showed in its early rep. It was org. 8 yrs ago by the Wilder Bros. and C. W. Morse as a merger of several co.'s. The first two yrs. the surp. avail. for divs. on a stk. issue of $12,000,000 avged. $746,932. The next 4 yrs. it steadily dec. to $259,678. Last yr. showed an inc. to $341,546, but the earn. for the first 9 mos. of the cur. yr. have been at the rate of only $250,653.

Consolidated Gas.—With the enhancemt. in N. Y. real est., the realty holdings of the gas co. have inc. in val. enormously. But the great eq. of this co. is N. Y. Edison, the $45,000,000 of which stk. is owned ent. by Consol. Gas. Competent auth. say that the N. Y. Edison Co. is capable of earn. over 10% on the $100,000,000 cap. stk. of the Consol. Gas Co. Another factor is the prob. speedy settlement of fran. taxes and the municip. debt for use of gas. The bal. due the co. is about $900,000, and if red. in assessmt. of about $600,000 are allowed, the co. will rec. close to $1,500,000, or 1% to 1½% on the stk. In add. this matter has tied up a comp. large amt. of cap. N. Y. Edison Co. paid $2,703,060 to Consol. Gas in 1908, leaving a surp. of $14,835,547 besides. Thus even in 1908 it could have paid much more than 6%. With N. Y. Edison, 1909 has been a yr. of inc. earn. and if the prev. policy of adding about $2,000,000 to surp. has been followed, it is conserv. to est. that the co. may have paid 8% in div. on $45,080,671 or approx. $3,600,000, equiv. to 3.6% on stk. of Consol. Gas.

Colorado Fuel & Iron.—For the six mos. to end Dec. 31, the first half of its cur. fis. yr., Col. Fuel will show net profit eq. to at least $10 per sh. for the $34,235,500 com. stk., which is far and away the best record in the co.'s history. In the prev. banner yr., end. June 30 last, the co. earned but $2.40 per sh. for the com. Under a new appraisemt. of the prop. of the co. assets are val. at $100,956,476, while total liab. are placed at $81,248,147. The co.'s ore supply is est. at 36,000,000 tons.

Chgo. & Great Western R. R.—The Chgo. & Great West. begins its new career under most favor. aus. It is in conserv. control; rates will be main., and aside from its ind. earn. cap., suffi. business could be divert. to the C. G. W. by its powerful competitors, for main. rates, to insure the paymt. of 4% on its pfd. stk. Already, the earn. of Oct., 1909, show a net inc. of $191,892, which comp. with a defi. last yr. of $30,285.——The N. Y. Stock Exch. has listed $12,612,300 pfd. stk. trust certifi. and $20,896,900 com. stk. tr. certifi. The Stock List Com. is further emp. to add from time to time $28,409,100 add. pfd. stk. certifi. on official notice of issuance under the terms of appl., making total amt. list $41,021,400 pfd. and $45,245,600 com. stk. trust certifi. ——The first offering of a portion of the $75,000,000 first mtg. fifty yr. 4% gold bonds of the Chgo. Great Western R. R. Co. is made by J. P. Morgan & Co. The amt. offered is $18,500,000. Pres. Felton, of the co., states that these bonds are an absolute first

mtg. on all the prop. of the co., incl. 755 miles of main track. This mileage connects Chgo. with Kan. City and with St. Paul and Minn. All the term. prop. of the co. in those cities and elsewhere are covered by the mtg.; also equipmts. val. at over $7,800,000. All prop. acq. with the pro. of the bonds now issued, or to be issued, will be placed under the mtg. It is to be noted that about $10,000,000 has recently been put into the prop. thro. the org. of the co. There is only one destiny for the Chgo. Great West., and that is, its absorpn. by systems which can advan. use its lines. Ind. are not wanting that its destiny is the North. Pac., after Mr. Hill gets ready to call in the C., B. & Q. joint 4% bonds, and the Gt. Northn. buys the N. P.'s half int. in the C., B. & Q. Then with the Great Northern wholly owning the equity in the C., B. & Q., the N. P. may take on the Chgo. Great Westn.

Chesapeake & Ohio.—A gain of no less than 50% in surp. earn. for divs. is rep. for the five mos. end. Nov. 30. This gain is in no way a result of a less lib. expend. for main., as the inc. in allowance was in the same prop. as the inc. in gross. Earn. for the stk. are now bet. 6 and 7%, and may be as high as 8% for the yr. The earn. power is in the making of an inc. in the div. rate to 5%, and an adv. to that rate would not be improb. under the Hawley managemt. It is a question, however, if the stock at a market price of 90 has not already discted. 5% divds.

Central Leather.—C. L. has been having a splendid yr.'s earn., and results for the full 12 mos. promise to exceed consid. last yr.'s. For the 10 mos. end. Oct. 31 net pro. for div. were in round figures $3,800,000, which is eq. to the entire yr.'s div. of 7% on the $31,061,000 pfd. stk. with a bal. of $1,600,000 or 5% for the $38,459,000 com. In other words C. L. is now earn. at a yrly. rate of 6% on its com. stk. The com. is of course earn. at least 12% on its market price and there is also little doubt that the inaug. of a com. stk. div. is merely a matter of time. In fact there is a poss. that com. divs. will start in 1910 but the weight of opin. is that such action will not be taken before 1911. The U. S. L. Co. is always a large borrower to carry hides and it is poss. that com. divs. will have to wait until fin. is arranged to prov. a larger work. cap. C. L. is one of the largest lumber concerns in the U. S., its an. sales being est. at rising 300,000,000 feet, mostly hemlock. This is a side of the co.'s earn. which has escaped gen. atten., but in lean yrs. in the leather indus. it has more than once paid pfd. divs.

Copper Metal.—L. Vogelstein & Co., in their cir. on the metals, at the first of the yr., say: "While consump. in 1909 has reached the highest fig. of prev. record yrs., it ought to be borne in mind that the progress which this country has made during the past twenty yrs. and is making, in the consump. of copper, especially for elect. pur., has not been felt so far. New enterp. req. large amt. of copper have not been resum. since the panic, and it seems reasonable to expect a heavy demand for new elect. const. during the next twelve mos. If this occurs, prices will certainly show an appre.—prod. having reached the top for the time being. In fact, we are likely to see a slight falling off in prod. during the next few mos., due to more or less vol. curtailmt. by some of the larger mines. It is to be hoped that the market will be left an open one and no artificial stimulus intro. which in the end could only prove disastrous." The outlook for good copper stock is subst.

Chgo., Milwaukee & St. Paul.—The N. Y. Stock Exch. has listed $25,165,000 add. gen. mtg. 4% bonds, series A, due 1989 on and after Jan. 3, 1910, making total amt. listed $48,841,000.

Chgo. & Northwestern.—The amt. of the stk. issue auth. in Wis. and Mich., $30,502,800, indic. that the stkholders are to be offered the priv. of subs. for 25% of their pres. holdings. The com. and pfd. stk. now outst. is $122,013,900. If the Northw. offers its stkholders the right to subs. for 25% of their holdings in new stk. at par, the "rights" should be worth aprox. $15 per sh. In 1907 the co. offered a 25% subs., the rights fluctuatg. bet. 11 and 17. In 1906 20% was offered and the rights sold as high as 24 and as low as 19. In 1905 a 15% subs. was offered, with rights quoted at bet. 15 and 13. In 1903 15% in stk. was offered, the rights selling bet. 15 and 12. See Jan. TICKER.

Corn Products.—Prof. from oper. of the co. for the yr. end. Feb. 27, 1910, will not be as great as those for the prev. yr., but the co. will more than earn the 5% paid on its 7% cumul. pfd. stk. Reduct. in prices to meet comp. is also a factor. Pres. Bedford says that the margin of prof. is only half of what it was a year ago.——In April, 1909, directors auth. an issue of $10,000,000 first mtg. 5% sinking fund bonds, $5,000,000 of which were sold at once to repay sums borrowed for the const. of the Argo plant, and for add. and bettermts. The total bonded debt is now $8,924,840.——No change in the fourth quart. div. from that of the last two yrs., which has been 2%, is exp. This will leave 6% in accum. div. on the pfd. stk. It is not likely that any of this back div. will be paid till after the new plant is in full oper. and prices are better.

Colorado & Southern.—The earn. are again going ahead rapidly. This is the fifth yr. of this road's expan. of earn. power, which contin. uninter. by the panic, altho. the gain in the fisc. yr. 1909 was not a large one. On the com. stk., earns. are now at the rate of 6%, and will prob. be at least 7% by the end of the cur. fisc. yr. on June 30 next. Control was sec. by the Burl. at a cost of $16,416,337. The Burl. does not show to what extent its ownership con. of pfd., and to what ext. of com. shs., but it does not seem likely that it is getting an inc. prof. on its investmnt. with com. paying only 2% divs. On the basis of earn. an inc. com. div. by C. & S. would be easily war.

Crucible Steel.—For the fis. yr. end. Aug. 31, 1909, the earn. avail. for divs. amted. to $2,014,926, eq. to 8¼% on the pfd. stk. This stk. is 7% cumu. and the arrears now amt. to 26%. As the co. has no mtg. or funded debt, exc. $100,000 on prop. purch., the paymt. of the arrears may be made before many yrs. The total surp. rep. is $3,157,999, eq. to 12.9% on the pfd. stk. The reg. quar. div. of 1¾% was paid Dec. 23.

Denver & Rio Grande.—D. & R. G. makes a very fav, statemt. for Nov. Notwithst. inc. exp. and charges the surp. inc. $117,685, or 43%. Last yr. 2% was earned on the com. stk., and for the five yrs. 1904-9 the avge. was 3.2%. This stock is partic. spec., owing to the guar. by the D. & R. G. of the Western Pac. bonds.

Del., Lack. & Western.—Last yr. the co. earned nearly 41% on its then stk., and it is doing better this yr., always bearing in mind that the cap. stk. was inc. some $5,000,000, therefore there is more surface to be covered, so that about 35% will be the net earning on the enlarged cap., the seeming dec. being in part attrib. to the separation of the coal dep. now oper. by the D. L. & W. Coal Co.

Erie.—If the road can contin. thro. the first six mos. of the new cal. yr. as pros. as in the latter half of 1909, there should be a bal. over all chges. this yr. of bet. $3,000,000 and $4,000,000. The inc. business has made it possible to keep up the road on a more liberal basis, and there is every reason to believe that another 12 mos. relatively as good as 1909 will put Erie in such shape that it will be able to fin. itself without paying an exorb. price for money.

General Electric.—Gross sales for Nov. were approx. $4,750,000, or at the rate of $57,000,000 per an., which is subst. the same vol. of business that has prev. for the past two mos. G. E. has now conclu. 10 mos. of its fis. yr., and it seems doubtful if gross orders rec. for the full 12 mos. can quite equal the $60,000,000 of gross business which was est. earlier in the yr. G. E. is now employing 15,000 men at its Schenect. plant, and about 9,300 at Lynn, and weekly payrolls at these two points now approx. $325,000, which is mat. larger than at any prev. time for the past two yrs. and a half.

Granby.—Has at last decl. a div. of $2 a sh., most grateful to patient stkholders. From this time on, be the price of copper what it may, Granby shholders should be able to count on reg. distrib. Nothing is said as to whether this div. is to be quar. or a semi-an. distrib., but it certainly should not be less than the latter, and may very easily be the former. Co. has now def. passed thro. the period of early const. and of large devel. exp. neces. to place the mines in a position to furnish large tonnages of ore. Its shipmts. are now running 27,000 tons a week, as comp. with 18,000 up to a couple of mos. ago. There is no longer any reason for withholdg. from the stkholders the greater part of the co.'s earn., and as these must be in the vincinity of $8 per sh. per an., and inc. $3 per sh. with every cent's adv. in the price of copper, the stk. should be a little more prom. than it has been.——The Granby managemt. has dec. to issue 13,560 of its 15,700 shs. of treas. stk. This will be issued to stkholders of record on the basis of one sh. of new stk. for every ten shs. now held, prob. at about 85.——From the sale of treas. stk. at $85 per sh. the co. will receive $1,147,500. At the same time stkholders will be in receipt of rights worth about $2 per sh.

Interborough.—Gross earn. for the six mos., the first half of the cur. fis. yr., have shown an extra. gain over the same mos. of 1908. The total inc. is, in round figures, $1,500,000, or over 10%, which is 92% of the inc. during all of the fisc. yr. end. June 30 last. The best mo. was Nov., when gross receipts avged. a gain about $8,000 per day. For Dec. the daily inc. has been at the rate of $5,800.

Illinois Central.—Attorney-Gen. appeared before the Sup. Court in a suit to compel the Ill. Cent. to acc. for 7% of its gross recpts. from charter lines thro. which the State of Ill. seeks to recov, an amt. approx. $20,000,000 from the co. The case is based on the grant by Congress to the State of Ill. of 2,595,000 acres of land as a right of way to aid in the const. of a central R. R. thro. the State. This grant was made in 1850, and the following yr. the State chartered the Ill. Cent. and granted to it all the land recd. by the State from Congress, together with other prop. The State claims these lands were sold by the road for $30,000,000, which was more than sufficient to build the road. "The claim now made by the Ill. Cent. that it owes the State nothing because of this land grant, as an example of ingratitude has no parallel since the time of Judas Iscariot." The charter granted to the R. R. was an absolute contract, by which the State was entitled to rec. not less than 7% of the gr. receipts. Down to the yr. 1877, the accting. was kept satis. to the State, the charter lines, 705.5 miles, comprising prac. the entire Ill. Cent. system. About this time the road began to acq. other lines, and now comprises 4,377 miles of R. R., of which the charter lines comprise less than one-sixth.

Int. Harvester Co.—In regard to report that the foreign plants of the Int. Harv. Co. will be cap., and the stk divided among the stkholders, it may be said that there are, in all, five plants. Those in Sweden and Canada are already in oper.; while those in Germany and France will be comp. in the near future. The last plant to be started is at St. Petersb., Russia, and will not be ready for oper. until the end of the yr., as const. has just com. Influ. Russian merch. have a sh. in the latter firm, and it is said to be cap. for 12,000,000 roubles ($6,000,000). The cost of the Can. plant was $2,166,710, and the one in Sweden $264,707; while the cost of the prop. alone in Germany is est. at $262,235. If the cap. of the Russian plant is added to these

val., the total will come to $8,693,652. As the cost of const. of the German and French plants should easily come to $300,000 more, it would not be surp. if the total cap. would come to $9,000,000, in which case the stkholders would rec. a stk. div. of 7.5%, besides any cash div. which may be dec. Since the day it began oper. Int. Harv. has never issued a dollar of new sec. It is without bonded debt of any des. and has not only main. the enormous work. cap. of $75,805,000 with which it began business in 1903, but actually inc. it so that it now totals over $80,000,000, a sum equal to the par of the entire pfd. issues with some $33 per sh. of quick assets for the com. The fisc. yr. which ended Dec. 31, discl. the amazing pros. of this corp., whose business is world-wide in its scope. Gross and net prof. for 1909 surp. all prev. rec. with a total gross of over $80,000,000, or $10,000,000 more than Gen. Elec. in its palmiest days. Net prof. left a bal. of about $9,000,000 for the $60,000,000 com., or say 15%. Even on $75,000,00 com. stk. Int. Harv. would, with net for the com. of $9,000,000, be earn. at the rate of 12% or better than double the 5% rate, and would have a bal. of earn. for prop. of approx. $5,000,0000 per an. after all div. See Int. Harvester in Jan. Ticker.

Int. Mercantile Marine.—The Humphrey ship subsidy bill, intro., prov. for mail subsidies, for a heavier tonnage tax on foreign vessels, and for admittance of foreign vessels to Am. registry for foreign trade only with the prov. that they shall not share the mail subsidy. Routes from the Pac. coast to China, Japan, Philip., So. Am. and Austral., where outward voyage is 4,000 miles or more, receive adv. in mail subs. thro. paymt. of mail sub. now auth. for vessels of the first class to vessels of second class. Ships to receive sub. must be const. of iron or steel in accord. with plans by the sec. of the navy, must be avail. for use of the U. S., and cannot be sold without consent of the sec. of the navy. They must also employ Am. apprentices and, after five yrs., 50% of crew must be Ams. No ship owned by any R. R. or to which any R. R. gives pref. rates can receive benefit. Cong. Humphrey says: "There is now only one Am. vessel flying the Am. flag in excl. foreign trade. Not a ship now running can take adv. of this bill. Subs. cannot exceed est. rev. from steamship mail service. The inc. in tonnage taxes will bring $1,000,000 an. Foreign ships now carry 95% of our commerce, rec. $200,000,000 from us, and we exp. for them in river and harbor impts. $50,000,000 per yr. It is pro. to rebate 80% of tonnage dues to Am. vessels that carry Am. boys, one for each 1,000 tons.

Int. Smelting & Ref.—The directors of the co. are to meet early this year, but it is not likely there will be an inc. in the div. on the $10,000,000 cap. stk. until May. If the present plans of the managemt. are carried out, the stk. will be placed on either an 8% or 10% basis in the second quar. The earn. of the co. have been running bet. 10% and 15% on the cap. stk., and when the new Utah smelter now in course of erection is in oper., the co. will show earn. of consid. more than 15% on the stk. The Int. is now ref. close to 300,000,000 lbs. of copper a yr. About 40% of the stk. is owned by the U. Metals Selling Co., which acts as the selling agent for mines having an agg. output of nearly 600,000,000 lbs. of copper a yr. It is understood that in the event of the copper merger, the stk. of Int. Sm. will go in on a basis of $200 a sh.

Int. Steam Pump.—For the last 3 mos. the co. has been earn. at the rate of bet. 7% and 8% on its $17,762,000 com. stk. Gross earn. are not yet back to the 1907 standard, but the imp. in oper. efficiency since the Guggenheim int. took control is sec. better net results from slightly less business. There has been talk of com. div. action in 1910, but the prob. favor the postp. of com. stk. distrib. until the following yr. Co. is now spending upon plant add. bet. $800,000 and $1,000,000 and a portion of this money must come from net profits. Co. has within the yr. compl. arrangemts. for a great exten. in its foreign business and profits from this source should be aval. within another yr.

Kansas City, Mex. & Orient.—From an unofficial source comes a statemt. that the co.'s net earn. are running about 2½ times fixed chges. on the outst. bonds. A satis. showing for a new road which has still a large prop. of its line under const. The open market for the co.'s bonds seem to be contin. adv. The Col. & So. and 'Frisco Railways have entered into a traffic ar. with the Kan. City, Mex. & Orient, affording them an outlet to Mexico.

Laclede Gas Light.—Earnings of the co. of St. Louis during 1909 have run bet. 8 and 9% on the outst. cap. of $11,000,000, composed of $2,500,000 5% cumu. pfd. and $8,500,000 com. Divs. paid amted to 6% on the com., in add. to the $125,000 on the pfd. During the yr. the North Am. Co. sold cont. of this co. to the Walker-Busch synd. of St. L. and to Salomon & Co. of N. Y. The new int. have org. with an exec. comm. (See North American.)

Lehigh Valley.—With the sale of Lacka.'s 37,000 shs. of Lehigh Valley stock, these connecting roads have, if reports as to the Reading and Jersey Cen. are true, disposed of their resp. holdings. If the Reading and Jersey Cen. blocks were not disposed of, the 52,000 shs. they hold are no doubt under control of the present dominant ints.

Missouri, Kansas & Texas. — During the last five mos. of the 1909-10 fisc. yr. M., K. & T. has broken all prev. records for gross earn. The fig. is $11,858,586, comp. with the next best of $11,583,493 for the same period a yr. ago. Not so with net, however. Net earn. for the five mos., after taxes, are only $3,882,983, while for the corres. period of 1907 they were $3,942,218, and for 1906 $4,532,616.

M., K. & T. has done pretty well thus far this yr., consid. the fact of the drouth and a 60% cotton crop. With surp. earn. for five mos. of approx. $1,455,000 it has earned its

pfd. div. for the entire yr. about three times over. Div. reqmnents. amt. to only $520,000 a yr.—4% on $13,000,000 of pfd. stk. This means fair earn. on the com. stk. The amt. of com. stk. outst. is $63,300,300. Earn. in excess of pfd. divs. during the five mos. were equiv. to a rate of about 4¾% a yr. on the issue.

Minn., St. Paul & S. St. Marie.—The co. rep. for Oct. an inc. of 26% in gross earn. and 47% in net. For four mos. the inc. are 20% and 55% respectly. After allowing 7% for the pfd. stk., these fig. ind. 22.6% on the com. stk. for the cur. yr., which comp. with 11.6% in 1908-9, and 13.8% for the avge. of five yrs. 1904-8. This takes no acct. of the Wis. Cen. which is oper. under a lease as the Chgo. Div. In 1908 the div. rate on "Soo" com. was raised to 5% and in 1909 to 6%. After both classes of stk. rec. 7% they sh. alike on further distrib. Cur. earn. are at the rate of 17.4% on both classes.

Missouri Pacific.—It is evident from cur. statemts. that this co. is imp. its condition and has bright. prosp. The M. P. is a large holding co. At the date of the latest rep. the investmt. acct. amted. to $106,956,417, par val. These holdings consist of the stks. and bonds of subsid. cos., and the inc. in their val. since the panic would prob. exc. 25 points on Mop stk. These stks also give large spec. poss. to Mop stk and the new conv. bonds.——The $25,000,000 bond issue of St. L., Iron Mountain, which stkholders will meet to auth. Feb. 2, is a part of the financial plan of Mis. Pac. These bonds are to be acq. by M. P. and to be dep. under the indenture sec. the latter's new conv. first and refund. mtg. bonds. Thus the fin. for the entire system, incl. Iron Mountain, is being done, for the present at least, entirely with M. P.'s new bonds. The M. P. makes an extrary. statemt. for Nov. With an inc. of $653,003 in gross earn. the exp. inc. only $140,953. Conseq. the net earn. inc. $512,050, or 47%. For the five mos. gross inc. 14.4% and net 18.1%. These fig ind. that the surp. of the cur. yr. will exc. 4% on the stk, which comp. with 1.33% for the yr. 1908-9.

North American.—Officials deny that the co. is contempl. the decl. of an extra div. as rep. as a result of the recent sale of the Laclede Gas Co. Approx. $7,500,000 was realized by the N. A. from the sale of the gas prop.; of this about $3,500,000 has been paid, but the remainder is not due for some time. Acc. to officials, this will be placed in reserve, as it cannot prop. be called profit. Earn. are expected to exc. last yr. and the gen. con. of the co. is stronger than at this time a yr. ago. (See Laclede Gas.)

N. Y. Air Brake.—Advices are to the effect that the plants of the co. are running night and day, while orders have been booked for a long time ahead. It is said that the co. never entered upon a fis. yr. with so promising pros. as those which attend the opening of the new yr., 1910. The cap. of the works is much larger than it was in the last period of high activity in R. R. equipmt building. The co. now employs 2,500 men, comp. with 1,500 in 1906. Cur. earn. of the Am. plants are stated to be at least three times as great as at any time last yr. The sit., many stkholders claim, war. the managemt. in res. paymt. of divs. ——The fact that the Westingh. Air Brake Co. has rec. adv. its div. to 20%, the rate prev. before the 1907 panic, has led to the belief in good quarters, that the N. Y. Air Brake Co. will shortly res. the div. it paid prev. to the panic, namely, 8%. These two co.'s oper. under prac. identical cond.

Nashville, Chat. & St. Louis.—The directors will act on the semi-an. div. on Jan. 11 and there is little doubt that in line with the adv. of 7% in the Louisville rate, the div. will be inc. to at least 6%. In 1908-9, when the co. was running on a red. rate, the stk. showed 11.53% after a charge of $32,000 for add., so that the bal. after the paymt. of divs. for the yr. was consid. larger than the total amt. disb. to stkholders. Coast line ints. would like to see all of the Nashville stk. in the treas. of the L. & N. That road actually does own all but $2,822,400 of the Nash., Chat. & St. L. $10,000,000. If the stk in the hands of outsiders could be acq., it would be feasible for the Louisville to collect a large div. from the subsid.

National En. & Stamping.—The necessary cash on hand to compl, ext. floating liab. of every kind, places the co. in a position where it can resume divs. on its com. stk, if such action were deemed adv. Gen. trade activity has devel. an active demand for the wares it manuf. and its various plants are working full time. Its surp. is rep. to be inc. at the rate of about $100,00 a mon. thro. the accum. of profits from oper., or equal to about 7% on the com. stk.

N. Y., Chgo. & St. Louis.—With the co.'s net earn. for the first ten mos. of this yr. $500,000 ahead of last yr.'s rec., rumor is busy over the poss. of a div. on Nickel Plate com. stk. It can be stated with prac. certainty that the yr.'s rep. will show 6% earn. on the $14,000,000 issue. Gross earn. for the ten mos. thus far rep. amt. to $8,209,747, an inc. of $652,192. Net earn. in the same time were $2,629,987, or $482,830 better than in 1908. Those of the ten mos. alone exc. the net earn. of the entire 12 mos. of 1908 by $211,000. Earn. have been imp. so rapidly the past several mos. that the compl. returns for this yr. will fully bear out the indi. of the official statements so far pub. In Oct. alone the road earned 1½% for the com. stk. Nov. was an even better mo. in point of vol. of traffic and Dec. has been but little behind.

N. Y. Central.—The N. Y. Stock Exch. has listed $44,658,000 add. cap. stk. on and after Jan. 3, 1910, on official notice of issuance and paymt. in full, making total amt. listed $223,290,000.——An order for 2,000 fifty-ton Otis conv. all-steel gondola cars has been placed by the N. Y. Cen. lines with the Am. Car & Foundry Co.

N. Y., New Haven & Hartford.—The new issue of stk. has proven unpop., and the old

stk. contin. to sell about ten points above the part-paid receipts. Making all due allowance for temp. loss of int., however, it is consid. cheaper to buy the part-paid receipts than the old stk.; and there are strong reasons for confidence in the investmt. val. of the N. H. issues. In prop. to the amt. of business done, the co. for the past five yrs. has been spending for main. 8.9% more than the Penn.; and a saving of this diff. in main. chges. would add about $1,260,000 to surp. The large amts. put into the prop. the past decade ind. that the co. could make this saving without any loss of efficiency; and in add., subs. inc. in earn. may be exp. from the co.'s trolley, steamboat, and electric lighting and power prop. Moreover, if earn. contin. at the present rate the surp. for the com. for the yr. end. next June should be nearly 10%.

Norfolk & Western.—The road is now earn. bet. 10% and 11% a yr., an ample inc. to assure contin. of the higher rate and to add to the val. of prop. The first four mos. resulted in a gain of $1,640,000, or 16% in gross, of which $783,361, a gain of 19%, has been added to net. Chges and taxes inc. only $103,-823. Surp. for divs. is therefore $679,500 ahead of last yr., at the rate of more than $2,000,000 a yr. Earn. on the stk. promise as much as 10% for the fis. period. Last yr. they were 8.66% and the yr. before 7.15%. For two yrs. before that the com. earned more than 9%. N. & W. has been one of the greatest benefi. of the building of the steel works at Gary, Ind. The Steel Corp., through subsid. corp., leases and works 50,000 acres of coal lands belonging to Poca. Coal & Coke Co., and within the past six mos. has been sending a heavy tonnage of coal and coke west over N. & W.

Northern Pacific.—The statemt. for Nov. was comp. unfav. It is taken to indicate loss of traf. to the St. Paul, with inc. oper. exp. due to competition, and this is exp. to contin.

Pennsylvania.—The Panhandle div. inc. from 4 to 5% acc., so far as it affects the Penn. system proper, to the Penn. Co., rep. the lines west of Pittsb., which owns $16,632,900 of the $28,647,200 Panhandle com. Penn. Co.'s div. inc. from 7% to 8% acc. directly to the Penn. R. R., which owns all the Penn Co.'s $60,000,000 stk. The 8% rate now estab. is the largest ever paid by the Penn Co., and it rep. the fourth inc. in the div. rate in the last five yrs. Both the Panhandle and the Penn. Co.'s div. are sig. chiefly for their indi. of the present Penn. policy regarding disb. to stkholders. The action of both subsid. greatly strengthens the belief that the Penn.'s own div. will be restored to a 7% basis next May.

People's Gas.—On Dec. 31 end. the fourth successful yr. of op. of the co. under an 85-cent rate. Early ests. that the co. would earn from 9.5 to 10% above 1908 have been well borne out. Unless marked change occurred in Dec. there will be avail. for div. nearly 10% of the cap. stk. of $35,000,000. During the yr. the cap. stk. was inc. from $32,959,100 to $35,-000,000 and last April the rate of div. was raised from 6 to 7%.

Pere Marquette.—The N. Y. Stock Exch. has listed $1,023,000 ref. mtg. 4% bonds, due 1955, and $9,207,000 guar. bonds.

Pitts., Cin., Chgo. & St. Louis.—That the "Panhandle" was fully war. in inc. the rate of div. on its com. stk. is refl. in cur. earn., the returns for the 11 mos. end. Nov. 30 last indi. that the amt. of rev. over and above all ded. and pfd. stk. divs. will be equal to at least twice the now prev. 5% rate on the outs. com. stk. In 1908, the co.'s surp. over and above pfd. stk. divs. was equal to 5½% on the com. stk. The cur. rate of div. on the com. stk. of the "Panhandle" is the max. rate that can be paid on that issue before both classes of stk. share pro rata.

Pittsburg Coal.—The Pitts. Coal Co. owns 300,000 out of a total of 400,000 shs. com. and 50,000 out of a total of 200,00 shs. pfd. stk. of the Monongahela River co. The Pitts. Co. carries the com. stk. in its bal. sheets at $15 a sh. The U. S. Steel Corp. is the likely buyer of the stk. of the M. River co. The co. owns 30,000 acres of coal lands in Penn, and 2,500 acres in Kentucky.—J. W. Boileau, the well-known engineer, has set forth in a prep. analysis the import. of the Pitts. Co. as a factor in the coal trade, and the co.'s holdings. It says in part: The fin. statemt. of the co. shows that the mining plants, including buildings, mach. and equipmt., stocks and bonds of the co. and accts. receiv., approx. $36,000,000; less their liab., which incl. their bonds, bonds of subsid. cos., cur. liab., showing a total of $31,000,000; leaving a bal. of $5,000,000 to the credit of the stk. This added to the $85,200,-000 which is a bal. of the stkholders. After ded. the stk. of the co., which they hold in the treas., there is approx. pfd. stk., $27,000,-000; com. stk. $28,000,000; making a total of $55,000,000 of stk. issued against the prop. worth $85,200,000, and which means a val. of $155 a sh. for both pfd. and com.

Reading.—Reading's great eq. have consisted of (1) heavy oper. expend. for R. R. impts.; (2) unshown earn. of its coal dep.; (3) absolute ownership of Reading Iron Co.; and (4) cont. of other R. R., incl. the Cen. of N. J. Of these eq., that of its own buried R. R. earn. is now open to analysis by reason of the new accting. But the true earn. from its anth. coal oper. and its ownership of R. Iron Co. are still largely sealed from pub. knowledge. Last yr. the gross business of the coal dep. was $34,792,000, while the surp. earn. accru. to the Reading were only $67,000. The R. Iron Co., with assets, according to the rep., of more than $14,000,000, has a cap. of only $1,000,000, on which it has been paying only 6% divs., or $60,000 per an. to the R. Co. Last yr. it paid an extra div. of $1,500,-000. The inc. div. on Reading now justifies the high price of the stk. We have no doubt that its earn. and eq. in exc. of present divs. will contin. to be recog.; in other words, Wall St. will contin. to disc. its future val. Control

of Reading is held by Balt. & Ohio and Lake Shore, which own about $62,000,000 Reading stks., incl. $28,000,000 2nd pfd. If these roads should desire to assert their cont., they would have no difficulty in giving effect to a plan to retire the 2nd pfd., which would apparently be to their adv. That they would rec. the full support of the holders of the other $14,000,000 of Reading 2nd is practically certain, and this would give them voting power on about $76,000,000 of stock, or more than half of the $140,000,000 of all three issues outst. The surp. to Nov. 30 was $3,741,655, as against $3,629,360 last yr., $5,550,257 in 1907, and $3,745,000 in 1906. The dif. bet. the surp. this yr. and that of 1907 rep. 2½% on the com. stk. So far as the 6% div. concerned, however, there is a margin of safety, the earns. for the $70,000,000 com., after allowing five mos. divs. on the two classes of pfd. being equal to 3.8%.

Rock Island.—When the so-called Moore party bought this railway in 1902, it was earn. $28,000,000 an. A great change has taken place in its earn. power. Last yr. it earn. $61,000,000 and is now earn. at the rate of at least $66,000,000. For some yrs. past, the real earn. power of the Chgo., R. I. & P. has not been discl. The div. decl. on the stk of this road has been only suffi. to pay the int. on the coll. trust bonds, or 5¼%. The actual earn. power last yr. was at least three times the div. decl. To arrive at the actual earn. power of the old Chgo., R. I. & P. one must add to this $6,000,000 the $2,236,000 shown after paying 5¼%, amting. to $3,930,000, or a total of $12,166,000, or equal to 16% on the $75,000,000 of old R. I. stk. So far this fisc. yr., Ch., R. I. & P. has inc. only $600,000 a mo. in gross, and its net for the first half of its fisc. yr. will show consid, over $2,000,000 inc. If no further incs. are shown in the last half of its fisc. yr., there would be an actual earn. power on the $75,000,000 of Ch., R. I. & P. of bet. 18% and 19%.

Seaboard Air Line.—Notice is given to dep. of first mtg. 4% bonds and gen. mtg. 5% bonds of the S. A. L. Railway under the adjment. plan that upon presentn. and sur. of certif. of dep. issued in exch. for the former bonds they will rec. the bonds therein desc. as prov. in the plan. Holders of certif. of dep. rep. gen. mtg. 5% bonds upon sur. of their certif. will receive an amt. of S. A. L. Railway adj. mtg. 5% gold bonds or bond scrip eq., dollar for dollar, to the amt. of gen. mtg. bonds held, plus the face amt. of the coupons which mat. on Feb. 1, 1908; Aug. 1, 1908; Feb. 1, 1909, and Aug. 1, 1909.

St. Louis & San Fran.—The price paid by B. F. Yoakum and associates for the $28,940,300 com. stk. lately repurchased from the R. I. Co. was 37½, or in gross amt. $19,842,600. The $17,364,180 of R. I. coll. tr. 5s req. for their redemp., at 102½, $17,798,282 excl. of int. When the R. I. acq. cont. of the 'Frisco in 1903, it paid $60 in coll. trust 5s (now called for redemp. at 102½), and $60 in R. I. com. stk. per $100 sh. R. I. has paid the int. on the bonds since that time without receiv. any direct return on the stk. acq.——Speyer & Co. have closed negotiations with Paris banks covering an add, $4,000,000 5% gen. lien bonds of St. L. & San Fran. It is understd. that the prelim. fig. for the first six mos. of the present fisc. yr. or up to Dec. 31 show an inc. in the gross earn. of nearly $3,000,000. It is believed that the final fig. will be in exc. of that amt. These returns are for the St. Louis & San Fran. proper, the Chgo. & E. Ill. Co. and the Evansv. & T. H.

Southern Pacific.—Attention is called to the fact that investmts. in non-pro. prop. agg. $109,260,837, of which only $18,891,600 is dep. as coll. under a sec. issue of the So. Pac., leaving free assets of $90,379,237, or over $8,000,000 in exc. of the amt. of the conv. bonds. It is further pointed out that the land holdings of the co. on June 30 last agg. 14,408,217 acres, whose val. at $3.75 an acre is about $54,000,000. The pro. of land sales are used for the redempn. of prop. bonds, thus incg. the equity of the conv. bonds and stk. It is est. that the earn. this yr. will be equiv. to 12% on the stk. So. Pac. put into oper. a new sched. bet. San Fran. and Seattle. The distance of 968 miles will be covered in 34 hours, a cut of 3½ hours from present running time. Thanks to foresight of Mr. Harriman, Union and So. Pac. have immense term. facilities at Seattle, exten. enough to care for all traffic which may offer in the next 50 yrs. and this in full light of the fact that Seattle is prob. destined to become the premier port of the Pacific. The way has been opened for particip. in transp. of the billions of feet of virgin timber of northw. Wash. Prov. has been made for handling a max. Oriental trade as soon as this may become prof. through placing of Am. bottoms on a footing with those of Japan. Lastly, ent. into Seattle gives the Harriman lines free outlet for exten. to the North. The co. has filed an amendmt. to its charter here, certifyg. that of the $76,000,000 pfd. capital stk., heretofore auth., $74,451,800 has been conv. into an equal amt. of com. stk., the remainder of the issue having been red. or cancelled. The conv. of the pfd. stk. was compl. about 6 mos. ago.

Southern Railway.—Increase of $2,393,000 in gross earn., and $950,000 in net for the five mos. of the current fisc. yr. end. Nov. 30, has led to rumors that divs. on the $60,000,000 5% non-cumu. pfd. stk., which stopped in Oct. of 1907, will be res. in the near future. For the twelve mos. end. June 30 last, the co. reported a surp. applicable to divs. equal to nearly 5½% on the pfd. stk., and the $950,000 inc. in net reported for the five mos. of the cur. fisc. yr. is equal to another 1½% on the pfd. shs. If the So. Railway had not inc. its net earn. by making heavy red. in normal oper. exp., resum. of divs. would be war. But besides having fences to mend, the co. must prov. for the redem. of a number of sec. early in 1910. On Jan. 1, $5,900,000 bonds of subsid. lines fell due, and on Feb. 1, the co. must pay off $15,000,000 of its own three-yr. 5% notes.

St. Louis, Iron Mt. & So.—At a meeting, on Feb. stkholders of the co. will be asked to vote to inc. the auth. cap. stk. from $130,-000,000 to $190,000,000, and to auth. an issue of $25,000,000 gold bonds, sec. by a mtg. on a whole or part of the R.R. and other prop. A plan to take over the subsid. roads will also be voted upon. Thus the fin. for the entire system, incl. the Iron Mountain, is being done, for the present at least, entirely with the Mo. Pac. Railway Co.'s new bonds. See Mo. Pacific.

Third Ave.—At the hearing Rec. Whitridge stated that out of some $5,000,000 spent on bettermts., $2,500,000 to $3,000,000 came from surp. rev. which under normal cond. would be appl. to paymt. of int. Mr. Whitridge placed indebt. of co. at $50,388,737, and of subsid. at $7,140,000, and prob. net inc. at $2,500,000 per an. Co. will for the yr. end. Sept. 30, 1910, show $2,478,200 surp., effected largely by saving of $2,001,400 in various items. These, with the ord. savings, would give $2,478,200, which would be sufficient to pay for all int. called for under present plan of reorg., an amt. of $1,500,000, and for all other fixed chges., franch., taxes and depreciation.

Toledo, St. L. & Western.—As an oper. prop. Clover Leaf has not offered much encouragemt. to stkholders. Its ability to pay divs. lies in its ownership of a controlg. int. in Chgo. & Alton. Had Clover Leaf not owned this stk. it would have been free from $11,527,000 bonded debt, assumed to pay for Alton, and fixed chgs. would have been some $360,000 lighter. Its surp. would have been $420,000. The surp. earned in 1908-09 was large enough for the 4% on Clover Leaf pfd., calling for $398,104, with a bal. of $540,190. This was eq. to 5.4% on the com. Earn. are running so nearly even with those for last yr. as to make it likely that the bal. for the 12 mos. will be at least as large as in 1909. Chgo. & Alton is also earning subst. the same as last yr. Clover Leaf has a surp. to credit of prof. and loss acct. of $2,640,000. Cur. earn., incl. divs. from its stks., are running about 6% on the com. stk. For two yrs. more Clover Leaf pays only 2% on $5,047,000 bonds issued in exch. for Alton stk. Begin. with 1912, the int. will be doubled, making chgs. $100,000 larger.

Twin City Rap. Transit.—Directors will prob. inc. the div. rate on the $20,100,000 com. stk. from a 5% to a 6% basis at the div. meeting next mo. The co.'s fisc. yr. ends Dec. 31 and based on 10 mos.' actual showing the net bal. for divs. this yr. should total $2,000,000, or 10% for the com., after taking out the 7% pfd. div. on $3,000,000 pfd. stk. With an inc. in the com. div. rate to 6%, Twin City would make its first div. change in eight yrs.

Utah Copper.—Official ann. of the closing of the nego. for the merger of the Nevada Consol. and the Boston Consol. with the Utah Copper Co. was made in the following statemt. issued by the Guggenheim ints.: "At a meetg. of the board of directors of the Utah Copper Co., it was unan. voted to call a shholders' meeting of said co. on Jan. 6 next, to auth. an inc. in the cap. stk. from 750,000 shs. to 2,500,000 shs., a portion of said issue to be for the pur. of acq. the prop. of the Boston Consol. on the ratio of one sh. of Utah for each 2½ shs. of Boston; a portion to acq. such shs. of the Nevada Consol. as accepted the offer within a specified time, but not less than a majority, at a ratio of one sh. of stk. of Utah for 2¼ shs. of Nevada.

Union Pacific.—Incl. its free eq. of $99,-700,000 in So. Pac. stk. pledged under a $100,-000,000 issue of Oregon Short Line ref. bonds, only $45,000,000 of which are outst., the treas. of U. P. and its auxil. on June 30 held free sec. of other cos. with a present agg. market val. of approx. $298,900,000. Of this amt. about 45% are issues of cos. closely associated with U. P. in oper. of the system, being such sec. as stk. of S. P. and Pac. Fruit Exp., which are not likely to be turned into cash. On June 30 U. P.'s cash holdings, with demand and time loans, amted to $45,790,451. During the first four mos. of the cur. fisc. yr. for which rep. are avail., net inc. from transp. amted. to $17,110,551. Inc. other than from transp. for the four-mo. period covered by avail. rep. of transp. earn. would be $5,800,-000, making a total net rev. before chges. of $22,900,000. Fixed chges. for this period were $4,800,000 and div. requiremts. approx. $8,000,-000, which leaves a surp. after divs. for the first third of the yr. of approx. $10,000,000. The above changes mean that, barring any sale or pur. of invment secu., U. P.'s treas., after meeting fixed chges. and div. and const. req., greets the new yr. with cash on hand and time loans agg. $50,000,000. (See Southern Pacific.)

U. S. Rubber.—When the final fig. for 1909 sales of the U. S. Rubber Co. system. incl. the parent co., Rubber Goods Manuf., Can. Consol. Rubber, and various other subsid. cos., are made up it is probable that the total will be found to exceed $75,000,000, which is prob. 10½ better than the comb. cos. have ever done before. The U. S. Rubber Co. will secure, when transf. are formally compl., over 90% of the $2,000,000 cap. stk. of the Revere Rubber Co. for which it offered $200 per sh. Dec. 24. Prac. all of the $4,110,700 to be realized thro. the sale to U. S. Rubber shholders of the $3,737,000 first pfd. stk. at 110 will, therefore, be req. to fin. this Revere Rubber acq. The issuance of $5,000,-000 add. 6% bonds is for the purpose of prov. work. cap. to meet the rather sensational adv. in crude rubber prices during the last two yrs. U. S. Rubber buys its rubber mos. ahead and must at all times carry millions of lbs. and millions of dollars worth of crude rubber in stk. The adv. of 75% to 100% in crude rubber means just so much more money locked up in this all-essential raw mat. A rather int. feature of the U. S. Rubber pfd. stk. offering to stkholders is that no prov. has been made for assignmt. of rights. In-

asmuch as new stk. amts. to only one sh. for each 20 shs. of old stk., Rubber directors have app. assumed that stkholders would subs. themselves for the great bulk of the new. Whatever portion shholders do not take goes to the underwriting synd. which has underw. the $5,000,000 bonds.

U. S. Steel.—U. S. Steel begins the new yr. under more fav. cond. than since org. It has on its books abun. orders, and specifs. are coming in so rapidly as to force many mills far behind in deliv. Net for the cur. yr. will approx. $133,000,000, and steel prod. "for sale" 9,000,000 to 10,000,000 tons, comp. with 6,206,932 tons in 1908, and 10,564,000 in 1907. The Steel Corp.'s mills this yr. were oper. about 60% of cap. up to April. All gain in prod. has been made since then. Conseq., sales of mat. should fall consid. below the boom year of 1907. The co. has set aside 25,000 shs. of pfd. stk. for the subsc. of employees at 124 under the profit-sharing plan. The co. will also award $1,000,000 in stk. to employees as a Christmas bonus. This stk. will consist of both com. and pfd. and in awarding the bonuses the com. will be fig. at 90 and the pfd. at 124. It is said that the synd. which rec. cleaned up the trans. whereby a block of U. S. Steel com. stk. was distrib. abroad made a profit approx. $25 per sh. The am. orig. held by the pool was 100,000 shs., but there was in add. under option to the same ints. 50,000 shs., making a total of 150,000 shs. as the option was exercised. The stk. was obt. by the French synd. at prices ranging from 60 to 65, or an avge. of 62½ for the entire amt. While the bulk of these shs. was sold to French inv., there was also distrib. in other parts of Europe a portion of the stk.

Wabash.—We have had occasion to analyze the Wabash's position, and believe that it has great inherent strength. Altho. working in fin. poverty for the 20 yrs. of its exist., it has main. its org. intact. It has one of the best territories for R. R. oper. in the U. S. Its oper. managemt. for several yrs. has made and is making a cred. showing. The deb. bonds which acted as the obst. to its fin. prog. have been ret. by means of a new refundg. mtg. issue, the auth. amt. of which is large enough to cover all fin. requiremts. of the Wabash for yrs. to come. The estab. of relations with new ints. giving add. traffic and new fin. strength, appears to be just what the Wabash needs. It is auth. stated that special signif. should not be attached to the fact that the div. on the deb. "B" bonds of the co. was inc. from 1% to 2%. The board has the right to decl. int. on the deb. "A" and "B" bonds when the surp. earn. of the co. war. It is underst. that the statemt. of earn. for the 6 mos. presented indicated that a higher rate on "B" was justified. All the "A" bonds are now in the treas. of the co., and only a little more than 1,200 of the "B's" are outst. Conseq., prac. all of the div. on the latter issue and the entire amt. on the "A's" will revert to the co.'s treas. and will be applied upon the paymt. of int. upon the new 4s. The deb. "A's" are now receiv. int. at the rate of 6% a yr., the full rate to which they are entitled. The "B's" are entitled to the same rate.

Wabash-Pitts. Terminal.—Under the reorg. plan for the Wabash-Pitts. Terminal and the Wheeling and Lake Erie, it is pro. to merge these two roads into one corp. The Wabash-Pitts. Term. will contin. to be cont. by the Wheel. and Lake Erie. It is expected that, while friendly relations will contin. in ref. to the Wabash, the managemt. will not be so intimately rel. to that prop. as in the past. It is the present intention to replace the 1st and 2nd mtg. bonds of the Wabash Pitts. Term. with stk. The amt. of these bonds is $50,000,000. A new mtg. will prob. be created to cover the two prop., and the Wheel. and Lake Erie stkholders will have to pay a heavy assessmt. A large amt. will have to be raised in order to carry out the plan of imp. pro. for the Wheel. and Lake Erie, which is prac. up to its facil. now and needs to be double-tracked nearly the entire length of its line.

Western Electric.—Gross sales of West. Elec. for the fisc. yr. which end. Nov. 30 last agg. in round fig. $46,000,000, comp. with $33,000,000 for the 1908 yr., an inc. of 39%. The Nov. sales fell off somewhat from the rec. showing of Oct., when orders booked agg. nearly $4,500,000. Nov. sales were somewhat less than $4,000,000. The co., which is the manuf. concern of the Am. Tel and Tel. Co., will issue and sell at once $5,000,000 of the $15,000,000 5% gen. mtg. gold bonds which were auth. by the stkholders at a special meeting held for the purpose Nov. 5, 1907. The bonds run for 12 yrs. and the co. reserves the right to pay any or all of the outst. issue Jan. 1, 1912, or on any int. day thereafter, with accru. int. and a prem. of 5%. Pro. of the sale of the first $5,000,000 will be used to take the place of com. paper and in liq. cur. indebt. The remaining $10,000,000 can be sold from time to time at the discretion of the board of directors. The co. has an auth. cap. of $25,000,000, of which $15,000,000 is outst. The Am. Tel. Co. owns more than $12,000,000 of the latter amt.

Western Pacific.—The Western Pac., which is now open for thro. freight traf., is the Gould exten. from Salt Lake City to San Fran., rendering the Gould system ind. of the Harriman lines for their western outlet. The co. was incorp. in March, 1903, and shortly thereafter sold $50,000,000 first mtg. bonds. The co.'s line is 923 miles long, and is said to be of the highest standard of steel and masonry const. It is asserted by the co. to have cost approx. $60,000 a mile. Besides the $50,000,000 first mtg. 5% bonds mentioned, the co. has issued $23,230,000 2nd mtg. 5s, all of which are held by the D. & R. G., and $75,000,000 stk., of which D. & R. G. owns $50,000,000. A part of the equip. has been rec. and more has been ordered. Pres. Jeffery states that subst. all of the fin. neces. to compl. and equip the road has been done.

INQUIRIES

Is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated? If so, write questions briefly and they will be answered in this column or otherwise. If personal reply desired, enclose stamped envelope. Address Inquiry Department.

☞WE DO NOT GIVE ADVICE OR OPINIONS UPON SECURITIES OR PROBABLE MARKET MOVEMENTS.

No Interest on Wheat Futures

What is the rate of interest on wheat futures, and is it figured on the length of time the wheat is held by me or for the entire period of the option?—J. K.

No interest is charged on wheat futures.

Curb Stocks on Margin

I desire to buy some curb stocks on margin and thought of buying through * * * * * *. May I ask whether you consider them financially reliable?—J. H.

We do not advise trading in curb stocks on margin; in fact, we consider this a dangerous practice.

Probably the strongest house which does a large business on the curb is * * * * * *. They are members of the New York Stock Exchange. They do not carry curb stocks on margin and, as a rule, we could not recommend any concern which does this.

Books for Beginners

I want to get a comprehensive knowledge that can be applied to trading in securities, on small capital at start, of course, and any advice from you will be appreciated.—J. A. C.

The best advice we can give you is to read all the back volumes of The Ticker. Also read Nelson's "A B C of Stock Speculation," Henry Hall's "How Money is Made in Security Investments," Burton's "Crises and Depressions." If you wish to study the values of railroad securities we would recommend Moody's "Analyses of Railroad Investments." This book is well worth the money to one who desires to make a serious study of values.

"Studies in Stock Speculation" and "How to Select Investments," now running in The Ticker, will be of great value to you

Tape Reading—Arbitrage

J. L. H.—"Studies in Tape Reading" is a book of about 200 pages, bound in limp leather. It is now ready for delivery. The price is $3.10, postpaid. It was written by Rollo Tape, and is designed to aid traders in making money from the stock market by reading the tape as it comes from the stock ticker.

Arbitrage is selling in one market and buying the same stock in another simultaneously with a view to taking advantage of differences between prices in the two markets. The term arbitrage is commonly used in regard to trading in American stocks between New York and London, but extensive arbitraging is also conducted between New York and Chicago, Boston and Philadelphia.

Stop Order in Lehigh Valley

I bought Lehigh at 102 and have a stop order 2 points below the present market price. Could the stock drop so quickly that my order could not be executed?—S. E. S.

A stop order in Lehigh Valley should be executed either at an exact figure or within ⅛ or ¼, under any ordinary conditions. Even in case of a panic, it is very unlikely that the market would run more than, possibly, one point beyond your price before a two-point stop order could be executed, as the stop price would be reached before the market became demoralized.

The execution of stop-loss orders depends upon the activity of the market and the stock in which you are trading. (See article on Stop Orders in Vol. 2 of The Ticker, page 233. This will give you a full explanation.)

Interest on Short Stocks

In selling short, the broker who loans the stock receives its market value in cash as security. Under ordinary conditions he pays interest. Who receives this interest, the man who orders the short sale or his broker? Why?—E. O. G.

The broker receives the interest, because the borrowing of the stock is strictly a part of the broker's business. He arranges the deal and the customer could not do it for himself. The broker has paid probably $75,000 or more for his stock exchange seat expressly for the purpose of putting himself in a position to handle such business. The customer is receiving interest on his cash balance in the broker's hands, providing the balance is of respectable amount. This cash balance is all the customer has put into the transaction.

Buying on Reactions

J. B.—When a stock has been inactive for a considerable time and then starts up on noticeably larger transactions, accumulation is usually indicated. From the first day's active upward movement of this kind, a reaction is probable, and on this reaction the stock is likely to be a purchase. If the stock has had a considerable advance and the volume of the transactions becomes abnormally large, distribution is likely to take place. Hence it is advisabe to take your profits.

If the stock then declines on gradually decreasing transactions, the condition of the

market is more uncertain, and it is not always safe to buy on this decline. If the conditions are favorable and a bull market is in progress, such a decline on small transactions is likely to be a mere reaction, and the stock may be purchased for a further advance; but if conditions are unfavorable, the stock may continue to decline in spite of the falling off in volume of transactions.

Good Results

I was very much interested in the article about Mr. Gann in the December TICKER. Where can I learn more about the Law of Vibration?

You may remember that I wrote you about eighteen months ago and you criticised my methods. I changed them at once, and have since been very successful. I learned my lesson and do not overtrade. I have studied tape reading and am still pegging away at it. I can sometimes call the turn on a stock within 1/8 or 1/4. I have used in trading $2,400 capital and have made a profit of about $2,500. I realize that I have still to prove myself able to go through a bear market, but thanks to your magazine and the books I have purchased of you, I am now away ahead of the game and intend to keep on studying.

I have a method of reading the market from bid and asked prices, which, so far as I have gone, has shown the trend daily eight times out of ten. I am willing to spend years and money in study, for I have always delighted in mathematics. Several of my friends are now reading THE TICKER. I first started them and now they look forward to it every month. —A. E. P.

Mr. Gann has worked out for himself the laws of price fluctuations and is not willing to give any more information than is contained in the December TICKER.

We remember very well your former communication and are glad you have been successful in your trading up to the present time. Do not let your success mislead you, and do not think because you have made money in the bull market, you can do so when prices are declining. There are many uncertainties ahead. Any man who stays long of stocks all the time is going broke sooner or later unless he pays for everything in full.

If you have any method which will show profit eight times out of ten, you have something better than Mr. Keene or any other trader in Wall Street has. We think you will find some holes in your method if you test it out carefully over a long period. You do not say anything about stop orders. You should either use them or pay for your stocks in full.

The Instalment Plan

Three months ago I bought some curb stocks on the instalment plan, and have paid, in addition to the first payment of 20 per cent., three payments of 10 per cent. monthly, the stock not moving either way in that time, I sold at a loss of 1/8 plus commission of 12½ per cent. I am about to buy some shares of Union Mines or Ray Central on the instalment plan for a speculative turn, and would like to have your advice before doing so.

The point I wish you to enlighten me on is this: If I am in right and the stock goes up, will I get my profits? I am told that I am stuck and will never get back what I have paid in or any part of it. I have requested statement of my account, but I have not yet received one. As I have a small balance there, I am somewhat dubious.

In what can I be stuck outside the movements of the stock? If I should request a check for the balance of my account they could not do otherwise than send it to me, could they? I enclose herewith copy of instalment contract with name of firm omitted. —A. L. B.

There are three objections to the plan of purchasing securities by monthly payments as outlined in the order blank you enclose:

First, the firm may not be reliable. You are depositing your money with them and receiving in return nothing except their contract, up to the time when your stock is paid for in full. Such a firm is practically doing a banking business, but without the restrictions which are placed by law upon banks.

Second, you lose the interest on your money during the time it is on deposit with this firm.

Third, the commission charged, 12½ per cent. of the price of the stock, is exorbitant. Ordinary broker's commission is, as you know, only 1/8 of 1 per cent. Why not deposit the money in a savings bank until you have enough to buy outright the stock you desire? You would then get a small interest on your deposits and when you bought the stock you would pay only the regular commission instead of 12½ per cent. True, the stock might be higher after you had saved enough money to buy it, but, on the other hand, it might be lower. Perhaps the chances would be about equal.

See article in the November TICKER on the "Non-Forfeiture Plan," page 35.

He Made Small Profits Only

The records of novices at stock market trading, as published in THE TICKER, have been very interesting and suggestive, proving, as they do, that the rule with small traders is to take small profits and to let losses run. This in contradiction to the advice of THE TICKER and other good authorities, whose word, I have come to realize, is worth heeding. An impatience to sell and take a profit before it disappeared has been my practice in almost every instance and I now see where I could have made a good deal of money by taking a stand for a fair rise rather than by closing out on a point or two profit.

I had nerve enough to carry Southern Railway common through the 1907 panic, selling it at a final profit of only a point and a quarter. The amount involved was not large, but I

held on grimly, awaiting the dawn of a brighter day when I could get out even. As I look back on this piece of folly, I, of course, regret that I did not get in around the bottom and average with the lot at top prices, but at that time Wall Street authorities were putting Southern Railway, Rock Island and other lines into receiverships and I feared for the worst, so far as coming out even was concerned.

I bought Rock Island common at 14¾ in February, 1908, and would be pleased to have it now, but I sold it at 17¾. Another lot of Rock Island bought in 1907 at 20⅜ I sold at 22¼ after holding it a few days and congratulated myself on making a neat profit.

I bought M. K. T. at 31½ and sold it just as the rise was beginning, which carried it up over ten points. When the large volumes came out I took this as a sign of distribution, and realized only a point profit. My judgment was completely at fault.

During the present year I have bought and sold two lots of Interborough common, realizing therefrom a profit of four points. Had I been precipitate in selling I might have had ten points.

This is the confession of a very impatient trader and I have no doubt there are many others who, like myself, have great need of revising their methods. I am trying now to do better, and while not confident of piling up large profits in the future, I feel that I ought to put in practice entirely different methods from those previously followed. I have made some small profits, but one or two good ones would have equaled all that I have made as outlined here.—Jason Broadbent.

It seems to us that you would make more money and feel more satisfaction in the results obtained, if you followed the method of buying only in panics, and then held your purchases for a liberal profit. Waiting for a panic and the subsequent boom will give the trader a valuable lesson in patience.

Doubtless you have read the series of articles entitled "A Specialist in Panics," published in Volume 2 of The Ticker. This method of trading would seem to be adapted to your requirements, so far as we can judge from your letter. The average trader is consumed with a feverish desire to be doing something every day or every week. In the end, this lessens his profits and increases his commissions, interest and taxes.

For Cash or On Margin?

How many times one hears from personal acquaintances or friends the remark, "Wall Street is for just such as you—for the big men to bleed." And generally these men are of an intelligent class. Quite a half dozen times have I heard this remark. Should I happen to mention the fact that I do a little speculating, it's "Some day you will lose all." Now, admitting the danger of this kind of speculating, as I most certainly do after two and a half years' experience (not very long, but still two and a half years), is it true that one will some time lose inevitably all his capital in a smash or is it simply a matter of the "point of view" each one asumes?

My case is something like this: First I started in and purchased for cash So. Pac. com. and Steel pref. in 1907, just before the tremendous slump in March of that year—these on the advice of an elderly and wise relative who was then a bank manager. From that time on I kept an eye on the prices of my little holdings, knowing absolutely nothing of stock market affairs and prices. During 1908 I constantly dabbled in Amal. Copper, then 45 to 55, and made small profits of from three to seven points, all the time paying for same outright. Then the rise in prices of stocks came and scared me, so I bought nothing for a long time, just keeping an interest in and a curious study of prices and fluctuations. Eventually I sold my So. Pac. com. at a profit and my Steel pref. at a loss. I wanted a change and invested in quite a lot of a copper company's stocks. I thought they were cheap at that time. I paid for same and held the certificates for a year or more and still hold most of them.

During 1908 (say the last nine months of that year) I made profits of 23 per cent. all told, including dividends and interest, less expenses; and was quite satisfied. I cover the whole year in reckoning percentage, but only during a small portion of that time did I speculate, in Amalgamated Copper only, as stated, 50 shares at a time.

Now, this year I have begun to buy larger lots on margin of 20 to 25 points, making and losing the past three months, until now I am some $400 to the good on these transactions, but with stocks on my hands that I am holding for a rise. These stocks were bought at prices a trifle higher than the present, but I have stop orders in to prevent big losses on sudden breaks.

Am I on the right track, or is it inevitable that some day I must lose all as so many do in Wall Street. Your brief opinion on my method of speculating as depicted will be gratefully received through the medium of your most interesting magazine, which I only recently began to study.—"Knowledge."

We have read your letter with much interest. Your experience is typical of that of many others. You began buying stocks for cash and paying for them in full, at a time when prices were relatively low. You made excellent profits in the bull market of 1908 and 1909, and have now branched out into margin trading. You have made $400 on these margin transactions, but you do not state how much loss you have in stocks now on hand.

We think you are making a mistake in beginning to trade on margin, unless you have made a thorough and careful study of all phases of speculation and have matured and tried out a definite method of operating, which is based on sound principles. We know many

traders on margin who make money; but a large majority lose because they fail to properly plan and execute their campaigns.

Judging from your experience as outlined in your letter, we think you would, at the present time, make just as much money and stand a much better chance of keeping it, if you would buy only in panics and for cash, as explained in the series of articles entitled "Specialist in Panics" which appeared in Volume II of THE TICKER. We recommend that you avoid trading on margin until you have thoroughly tested out by imaginary trades or by trading in 10-share lots, a definite method of operating, which you are satisfied will continue to make money, on both the long and the short sides.

To answer your question briefly, we certainly do not think that you are sure to lose your capital if you continue speculating. We suggest that you bear in mind that while buying stocks for cash is much like any other business, a purchase of real estate, for example, margin trading is a business in itself and must be studied in a scientific way before a trader is equipped for continuous success.

Business Barometers

Kindly advise in regard to the Business Barometer, by Babson.—C. B. W.

Babson's Business Barometers are exceedingly valuable to business men and those in charge of large enterprises. They forecast the general business situation perhaps more completely than anything else obtainable. They are also of value to the investor and the long pull speculator.

Book Reviews

WHEN RAILROADS WERE NEW, by Charles Frederick Carter; 324 pp., 17 full-page illustrations. Price, $2.10 postpaid. For sale by The Ticker Publishing Co.

This tale of early railroading is what reviewers are fond of calling a "gripping story." It tells the story of the building of the first railroad, how the promoters of the idea of the steam railroad were laughed at and of the difficulty in raising necessary funds, in such a way as to make it quite as interesting as any romance ever written. It is not a book for railroad men alone. The reading public in general will be fascinated and at the same time instructed by this story of pioneer railroading and construction, dating from the dawn of the railroad era in 1812 when Oliver Evans of Pennsylvania prophesied the coming of the time when "people would travel in stages moved by steam, almost as fast as birds could fly." The book is filled with interesting facts and episodes, ludicrous and otherwise. One brilliant young member of the New York legislature, as late as 1817, lost his influence and ruined his prospects because he expressed his belief publicly that "steam carriages would yet be successfully operated on land." The first railways were not built by the wealthy men of the community at that time. They protested that the idea was preposterous—ridiculous. They even refused to take stock for which they had subscribed. It remained for the middle classes to do the work of successful promotion.

The book ends with the engineering triumphs which resulted in the completion of the Canadian Pacific. When the road was finished there was no speechmaking, no banquet, no anything. When Donald Smith had delivered the last blow he threw down the spike maul and the little party went fishing." The conquest of a continent had become an everyday matter.

One of the most interesting publications that has come to our desk is *The Sun Trade Journal;* printed monthly in English and Japanese; a faithful exponent of Oriental affairs, especially devoted to commerce and industry. Tokyo, Japan.

This magazine fills a place in Japan similar to that of *System* in the United States. It claims a larger circulation than any other publication in the Orient, and carries many foreign advertisements. It is stated that a majority of Japanese business men read English, and that the *Journal* reaches the hands of all prominent engineers, mill owners, importers, exporters, bankers, general merchants, railway and steamship companies, government officials and others interested in the development of international commerce and industry.

The magazine gives one a new realization of the rapid commercial progress being made in the Orient.

Swartwout & Appenzellar, 40 Pine Street, Members New York Stock Exchange, have just published a new edition of their Convertible Bond Wall Card, in design uniform with previous publications for banks and investors, with quotations as of December, 1909. This Convertible Bond Card contains all listed and unlisted issues of convertible bonds, with tables showing conversion prices and privileges, rates, method of computing, etc., and is sent to banks and investors on request.

If you wish to be placed in touch with a responsible house, write THE TICKER, stating whether you are contemplating investment or speculation, what amount you have for investment, or in what sized lots you wish to deal.

Also state what large city is located most conveniently to you, or if you have any preference in this regard.

Chat and Comment

THE circulation of THE TICKER is growing so fast that each issue goes into the hands of thousands of new readers who are not familiar with its policy and standing. Even our old friends may be interested to know that our aims and ambitions are still the same as when Volume I, No. 1, made its bow.

* * *

The difficulty in learning the art of successful investment in Wall Street has always been that the people who knew how wouldn't tell. Having spent years in learning to make money, they considered the information too valuable to give away, or were too busy making money to bother with writing articles for newspapers or magazines.

* * *

The result is that far the greater part of everything printed about Wall Street is written by men who know very little of what they are trying to talk about. The Wall Street reporter would not be a reporter if he knew how to make any considerable amount of money in the market. The fact that he doesn't know how makes his comments of little value. His "news" is colored by his personal opinion, and his opinion is usually worthless.

* * *

In our first number we laid down the rule which appears at the bottom of this page. We have never varied from it.

We are not "literary." Our writers make no effort to get up "an interesting article"—we leave that for the Sunday papers and the sensational magazines.

What we are trying to do is to throw a searchlight on the darksome pathway of the Wall Street trader and investor.

* * *

The back numbers of THE TICKER contain a mine of information in regard to Wall Street methods. We do not hesitate to say that there will be a demand for our bound volumes twenty-five years hence, for the reason that *this is the first time the public have ever been shown how.*

That the people appreciate our efforts is shown by our swelling subscription list and our rapidly increasing newsstand sales.

And the more subscribers the better the magazine and the greater its influence in the Street and out.

* * *

Our rule is to accept no advertisement unless we conscientiously believe the firm to be reliable. This results in our refusing a great deal of advertising which is accepted by other publications. Perhaps we might make more money by adopting a different rule, but our own self-respect and the confidence of our subscribers and of the Street is worth more to us than the money we might receive for doubtful advertisements.

* * *

THE TICKER endeavors to be more than a mere magazine—it is a sort of club composed of people interested in the art of making money in the market. We come in direct touch with most of those who have ideas on that subject, as subscribers, contributors and correspondents, and by giving publicity to one man's good idea we place it at the service of all.

The Ticker's Rule

$ $ $ $

Will this article help put dollars in the pocket of the man who reads it?

The Bond Buyer's Guide

Showing Comparative Yield of Principal Railroad Issues Listed on The New York Stock Exchange

IN the following table we have arranged in order the principal active issues of bonds listed on the New York Stock Exchange, income being figured at the latest available selling price. Ratings are according to classifications given in Moody's "Analyses of Railroad Investment." It will be noted that convertible bonds, of any class, give a relatively lower yield than others.

These tables appear each month, and are invaluable to bond buyers, as well as to brokers and all others who are called upon to recommend or advise on such matters.

Class Aaa—Bonds of the highest grade as regards security and which are also readily convertible into cash. These issues are not likely to be affected by any normal changes in the earning power of their respective roads; their prices are, however, influenced by the rates for money.

Description.	Due.	Interest period.	Price Jan. 13, '10.	Yield.
Texas & Pacific 1st 5s	2000	J — D	111½	4.46
Chicago, Milwaukee & St. Paul 25 yr. Deb. 4s	1934	J — J	93¾	4.43
Southern Pacific C. P. Stk. Col. 4s	1949	J — D	92	4.43
Oregon Short Line Guar. Ref. Col. 4s	1929	J — D	94¾	4.40
Toledo & Ohio Cen. 1st 5s	1935	J — J	109	4.40
Lake Shore Deb. 25 yr. 4s	1931	M — N	95	4.37
Lake Shore & Mich. Southern Deb 4s	1928	M — S	95¼	4.35
North. Pac. & Gt. Northern C. B. & Q. Col. Joint 4s	1921	J — J	97	4.32
Southern Pacific C. P. Short Line 1st Guar. 4s	1954	A — O	94	4.30
Denver & Rio Grande 1st Con. G. 4½s	1936	J — J	103¾	4.26
Wabash 1st G. 5s	1939	M N —	112½	4.26
Pennsylvania Railroad Conv. 3½s	1915	J — D	96⅛	4.24
Central Pac. 1st Ref. 4s	1949	F — A	97⅝	4.15
Northern Pac. Ry. Gen. Lien 3s	2047	Qu. F	73	4.12
Union Pacific 1st Lien & Ref. 4s	2008	M — S	97½	4.10
Illinois Central 1st Ref. 4s	1955	M — N	99	4.05
Chicago, R. I. & Pac. Gen. 4s	1988	J — J	98⅞	4.05
Chicago, St. Paul, M. & Omaha Con. 6s	1930	J — D	126¾	4.02
Chicago & Northwestern Series A Exten. 4s	1926	F — A	99¼	4.02
Reading Gen. G. 4s	1997	J — J	99¾	4.01
Chicago, Mil. & St. Paul Series A Gen. 4s	1989	J — J	100	4.00
Delaware & Hudson Con. 1st & Ref. 4s	1943	M — N	100¼	3.99
Louisville & Nashville Unified G. 4s	1940	J — J	100¼	3.99
West Shore 1st 4s	2361	J — J	100¾	3.97
Atch., Top. & S. F. Gen. G. 4s	1995	A — O	100¾	3.97
Pacific R. R. of Mo. 1st 4s	1938	F — A	100⅜	3.95
Chicago, Burlington & Quincy Ill Div. 1st 4s	1949	J — J	101⅛	3.95
Chicago & Northwestern Gen. 3½s	1987	M — N	89½	3.95
Central of New Jersey Gen. 5s	1987	J — J	125¾	3.95
Northern Pacific Prior Lien 4s	1997	Qu. J	102	3.91
Union Pacific Land gr. G. 4s	1947	J — J	101⅝	3.87
Lake Shore 1st 3½s	1997	J — D	92	3.82
Pennsylvania Railroad Con. (sterling) G. 4s	1948	M — N	104½	3.78
Delaware & Hudson Conv. Deb. 4s	1916	J — D	101½	3.70
Albany & Susquehanna 1st Con. 3½s	1946	A — O	99½	3.53
Pennsylvania Railroad Conv. 3½s	1912	M — N	101⅛	2.90

Class Aa—Composed of bonds, but slightly inferior to the above, either as to security or salability or both.

Wabash 2nd G. 5s	1939	F — A	103⅛	4.79
Colorado & Southern Ref. & Extn. 4½s	1935	M — N	98	4.64
Michigan Central 20 yr. Deb. 4s	1929	A — O	92⅛	4.62
Cent. of Ga. Con. G. 5s	1945	M — N	108⅜	4.50
Kansas City Southern 1st G. 3s	1950	A — O	72⅜	4.48
New York Central & H. R. R. R. Mich. Cen. Col. 3½s	1998	F — A	79¾	4.41
Norfolk & Western Div. 1st Lien & Gen. 4s	1944	J — J	92¾	4.40
Colo. & Southern 1st G. 4s	1929	F — A	96⅛	4.30
Nashville, Flor. & Sheff. Ry. 1st 5s	1937	F — A	111	4.29
Southern Pacific R. R. 1st Ref 4s	1955	J — J	94⅞	4.29

[*Class Aa—Continued from page 190.*]

	Due.	Interest period.	Price Jan. 13, '10.	Yield.
Atchison, Topeka & S. F. Short Line 4s	1958	J — J	94⅛	4.28
Atlantic Coast Con. 1st G. 4s	1952	M — S	95	4.26
Atchison, Topeka & S. F. Stamped Adj. Gen. G. 4s	1995	M — N	94¼	4.24
Reading (Cen. of N. J.) Col. G. 4s	1951	A — O	96¼	4.19
Ches. & Ohio 1st Con. 5s	1939	M — N	114	4.17
Cleveland, Chi., Cin. & St. Louis Gen. G. 100 yr. 4s	1993	J — D	96½	4.15
Balt. & Ohio Prior Lien 1st G. 3½s	1925	J — J	93⅝	4.15
Balt. & Ohio 1st G. 4s	1948	A — O	99	4.06
Missouri, Kansas & Texas 1st G. 4s	1990	J — D	99⅛	4.04
Chicago, Burlington & Quincy Gen. Mtg. 4s	1958	M — S	99⅞	4.04
Nor. & Western Conv. 10/25 yr. 4s	1932	J — D	101½	3.90
Atchison, Top. & S. F. Conv. 4s	1955	J — D	120⅛	3.16
Union Pacific 20 yr. Conv. 4s	1927	J — J	113	3.02
Atchison, Top. & S. F. 10 yr. Conv. G. 4s	1917	J — D	121⅛	2.06

Class A—Bonds of high grade, but liable to be affected by changing earning power as well as by money rates.

Gulf & Ship Island 1st Ref. 5s	1952	J — J	94⅞	5.31
Kansas City, Fort S. & M. Ref. Con. G. 4s	1936	A — O	81¾	5.30
Chicago & Alton Ry. 1st Lien 3½s	1950	J — J	75	4.94
Kansas City Southern Ref. & Imp. 5s	1950	A — O	102⅞	4.83
Chicago & Eastern Illinois Ref. & Imp. 4s	1955	J — J	86	4.75
Chicago, R. I. & Pac. 1st Ref. G. 4s	1934	A — O	91⅛	4.60
Norfolk & Western Pocah. Coal Joint 4s	1941	J — D	89¾	4.58
Baltimore & Ohio P. L. E. & W. Va. Ref. 4s	1941	M — N	93⅞	4.42
Baltimore & Ohio South-West Div. 1st G. 3½s	1925	J — J	90⅝	4.40
Chesapeake & Ohio Gen. G. 4½s	1992	M — S	103	4.37
St. Louis Southwestern 1st G. 4s bd. ctfs	1989	M — N	93⅛	4.31
Canada Southern 2nd 5s	1913	M — S	101¾	4.31
Atlantic Coast Line L. & N. Col. 4s	1952	M — N	94	4.30
St. Louis, Iron Mountain & So. Gen. Con. & Ltd. gr. 5s	1931	A — O	109⅞	4.30
Southern Pacific 20 yr. Conv. 4s	1929	M — S	104⅛	3.69

Class Baa—Good second grade bonds, slightly speculative.

Erie 1st Con. & Gen. Lien G. 4s	1996	J — J	78½	5.22
Ann Arbor 1st G. 4s	1995	Qu. J	78	5.15
Toledo, St. Louis & Western 1st 4s	1950	A — O	81	5.11
St. Louis, Iron Mt. & Southern R. & G. Div. 1st 4s	1933	M — N	87	4.95
Wisconsin Central Sup. & Dul. Div. & Term. 1st 4s	1936	M — N	92⅞	4.42
Wisconsin Central 50 yr. 1st Gen. 4s	1949	J — J	94½	4.29
N. Y., N. H. & Hartford Conv. Deb. 6s	1948	J — J	134¾	4.17
N. Y., N. H. & Hartford Conv. 3½s Deb	1956	J — J	101	3.46

Class Ba—Well secured bonds, but likely to decline if earnings fall off or advance if earnings increase.

St. Louis & San Fran. 15/20 yr. Gen. Lien 5s	1927	M — N	88⅛	6.12
Erie Conv. 4s, Series B	1953	A — O	72	5.77
Wabash 1st Ref. & Ext. G. 4s	1956	J — J	75	5.50
Denver & Rio Grande 1st & Ref. 5s	1955	F — A	94⅛	5.35
Missouri, Kansas & Texas Gen. S. F. 4½s	1936	J — J	90¾	5.17
Erie Series A Conv. 4s	1953	A — O	81	5.10
Cin., Indianapolis & Western 1st Ref. G. 4s	1953	J — J	87	4.69

Class B—Issues likely to fluctuate in price and more speculative than the foregoing class.

Pere Marquette Saginaw T. & H. 1st 4s	1931	F — A	78⅛	5.82
St. Louis & Southwestern 1st Con. G. 4s	1932	J — D	79¾	5.63
Iowa Central Ref. G. 4s	1951	M — S	76	5.46
Missouri Pacific 40 yr. Col. G. Loan 4s	1945	M — S	81⅛	5.13
Chicago, R. I. & Pac. R. R. Col. Tr. 4s	2002	M — N	81⅛	4.93
St. Louis & San Fran. Ref. G. 4s	1951	J — J	84½	4.88
Wheeling & Lake Erie 1st Con. 4s	1949	M — S	87	4.71

Class Caa—Almost directly responsive to changes in earning power, and having an average available income less than double interest requirements.

Southern Railway Dev. & Gen. G. Series A 4s	1956	A — O	80⅛	5.08

Class Ca—Similar to Class Caa, but with a smaller average available income.

Seaboard Air Line Col. Tr. Ref. G. 5s	1911	M — N	99⅛	5.40
Chicago, R. I. & Pac. Col. Tr. 5s	1913	M — S	102⅞	4.10

Class C—Showing but slight margin above interest requirements, and not well secured or without ready market.

Seaboard Air Line 1st 4s	1950	A — O	87	4.71

The Market Outlook

Causes of the Reaction.—The phrase "healthy reaction" is very much overworked. For the owner of stocks, either for cash or on margin, no decline can be considered healthy. Nor will it do to say that the reaction in January was due to a "temporarily weakened technical situation," "too great unanimity on the long side," etc. This is merely dodging the question. The technical situation can be weakened only by a distribution to weak holders, of long stocks previously held by investors. Why were stocks so distributed just at this time?

We think the two principal causes of the moderate decline were doubt as to the results of President Taft's Federal Incorporation Bill, and the disciplining of members of the Stock Exchange who were concerned in the recent Rock Island flurry, which sent that stock from 50 to 81 and back to 50 again in a few minutes. The Hocking Coal failures were of temporary effect only.

Federal Incorporation would mean big changes in the outlook for the great consolidations, which so far, by hook or by crook, have had things pretty much their own way. Vested capital is always timid about changes of any kind. It is nothing if not "conservative." It is entirely possible that the corporations might find themselves eventually better off as a result of the passage of such a bill, but it would take some time for large investors to become reconciled to the change. In the meantime it seems very improbable that the bill can be passed at this session of Congress, and if it were passed, it would soon be carried to the Supreme Court for a test, so that the present effect of the bill is on sentiment only.

The Rock Island Incident is not fully understood by the public and a word of explanation may not be amiss. Good business on the Stock Exchange results from active price changes. Under present conditions, activity of prices over a moderate range may be artificially stimulated to some extent, owing to the rule which permits a broker to bid for a specified number of shares and to refuse offers of a smaller number. For example, a broker may bid for 1,000 Reading, and may advance the price half a point before his bid is accepted, in spite of the fact that five other brokers were all the time offering 200 shares each at the market. The Rock Island flurry caused agitation for a change in the rules so that the bidder must accept offers of any part of the amount he is bidding for, before advancing his bid. The adoption of this rule might make a considerable change in the character of the market for the active speculative favorites.

Again, brokers have heretofore been permitted to execute all orders unless *positive* that such orders were for manipulative purposes. Naturally the broker could rarely if ever have positive evidence to that effect, no matter what his common sense and ordinary judgment might tell him. In the Rock Island case the Stock Exchange authorities suspended two brokers on the ground that they "should have known" that an order executed in accordance with the instructions of their client was manipulative in its character and would result in disordered quotations. This puts a considerable check on manipulation and may therefore lessen fluctuations.

For these reasons the majority of Stock Exchange operators regarded the result of the Rock Island investigation as bearish in its immediate effects.

The Copper Situation is attracting attention. Stocks of copper have been accumulating both at home and abroad; but the recent decrease in American surplus stocks impresses many observers as the turn in the tide. Producers are now sold well into April and many consumers are inclined to buy still further ahead. The *Electrical World* states that 1910 will break every electrical record. The miscellaneous uses of electricity are increasing from year to year. So far the demand for electrification of steam railways and building of new electric lines has been moderate. Copper finds its big market in times of extensive new construction and many believe that we shall enter upon such a period within the present year. For this reason the copper stocks are looked upon favorably.

Summary of Opinions of Recognized Authorities.—Hayden, Stone & Co. seem to strike the keynote when they say, "We expect more frequent and decisive reactions than heretofore, but look for the maintenance of a generally high level, at least for some months to come, with some very fair advances in special issues." Money is likely to be easy for several months, and during this time high grade bonds (except convertibles) and the high priced speculative stocks should be marketed on advances. An irregular market is probable, with higher prices for most of the medium and low priced stocks, especially industrials. Holdings should not be sacrificed on declines, as a prolonged bear market will not develop for some time to come, and is likely to be preceded by considerable bullish activity.